





## WORLD TRADE NEWS

**£400M OWED ON STEEL PLANT BUILT BY MOSCOW****Nigeria fails to pay Soviet debt**

By William Keeling in Lagos

NIGERIA and the Soviet Union are at odds over £400m owed to the Soviet Union for work on the Alakuta steel plant, under construction by Tajpromexport since 1988. Completion of the plant, which has cost an estimated \$4m to date, is expected next year and, as one Soviet official explained: "We've done our work and we want our money."

With an international debt of \$2bn and debt repayments to the Paris and London clubs already accounting for 30 per cent of foreign exchange earnings, Nigeria's debts to the

Soviet Union are being given low priority.

But with the government of President Ibrahim Babangida failing to make any payment to Tajpromexport since 1988, Soviet diplomats are beginning to lose patience. The Soviet Union's inability to collect money owed by developing countries is also thought to be a factor behind its own late payments to western exporters.

The problem in Nigeria's case, analysts believe, is the Soviet inability to offer new credits. Without the carrot of additional finance, the

Nigerian authorities have not been willing to negotiate even a rescheduling of the debt.

Relations between the two countries have also been put on edge after revelations that Chief Great Ogburn, the businessman the authorities suspect of financing the failed coup last April, visited the Soviet Union earlier in the year to sign a fisheries joint-venture agreement.

Of bitter consolation to Moscow is that even after the 3,000 Soviet workers have completed their work and packed their bags, the steel

plant is unlikely to begin production for at least another five years. Still to be confronted is the problem of ensuring a secure supply of coking coal for the plant.

The plant needs 1.4m tonnes of coking coal a year, most of which will have to be imported. This presents logistical problems as Alakuta, situated on the River Niger, is 250 kilometres inland from the coastal ports. Either the river will have to be dredged or a 150 kilometre railway line built to connect the plant to the rail network.

**US to lift sanctions against Brazil**

By Christina Lamb in Brasilia

THE US is to lift sanctions on Brazilian goods in response to Brazil's announcement that it will introduce legislation to protect pharmaceutical patents by next March.

The Brazilian decision on intellectual property rights represents a radical shift in Brazilian thinking and paves the way for ending a row with the US, its largest trading partner.

Mrs Carla Hills, the US Trade Representative, said: "We are very pleased with President Collor's decision to resolve this long standing concern of the US government. We are confident that this measure will succeed and provide adequate protection for US firms."

The US sanctions - 100 per cent retaliatory duties on paper products, consumer electronics and drugs - were imposed in October 1988 after a ruling under Section 301 of the 1974 Trade Act that Brazil was failing to provide patent protection for US pharmaceuticals.

Brazil's announcement came as part of a sweeping trade package intended to open up the country to foreign competition. It followed visits by Mrs Hills and Mr Robert Mosbacher, the US Commerce Secretary, both of whom lobbied hard for Brazil to ensure adequate protection in order to attract investment.

In a further concession to



President Collor: opening Brazil to foreign competition

mies, traditionally hostile to foreign imports which last year accounted for only 5 per cent of GNP. Once the liberalisation takes effect many Brazilian companies are expected to go out of business.

The first sector to be liberalised is textiles, one of the most protected areas. From July 1 all tariffs will be dropped on machinery and raw materials not produced in Brazil. A tariff commission will decide the timing of the rest of the cuts to bring the maximum down from 105 to 40 per cent by 1994. Of particular concern to the US are tariffs on aircraft, their main export to Brazil, which are now between 49 and 56 per cent.

To encourage foreign investment, import licences must now be granted within five days. This is to stop trade associations lobbying to prevent the entry of competitors and to force multinationals which earn huge profits in Brazil to increase their competitiveness.

Miss Zelia Cardoso, the Economy Minister, unveiling the trade package, said it represented a profound rupture with the past. She added: "Protectionism has failed and impeded the development of our industry. It left us with an economy which while the eighth largest in the world, was riddled with chronic inflation, inequalities and profound social and regional problems."

**E Germany acts to enforce CoCom rules**

By David Marsh in Bonn

EAST GERMANY is to set up a special foreign trade monitoring office next week to police international controls on technology transfer after economic union with West Germany this weekend.

Establishing the office forms part of the recent understanding with the 17-nation Co-ordinating Committee for Multilateral Export Controls (CoCom) under which CoCom restrictions for East

Germany will be lifted after July 1.

High technology goods previously proscribed under the CoCom rules will be able to cross from the West to the east.

Even though general CoCom procedures are being relaxed, the US, above all, is still concerned about militarily-useful technology crossing from eastern Europe into the Soviet Union and the Third World.

The East German government will be trying particularly to prevent re-export of sensitive products in areas like computers and telecommunications.

The East German Government is attempting to enforce CoCom curbs on barter trade, where East Germany has agreements in force with 38 countries. The East and West German governments announced yesterday that controls on movements of people across

the East-West German border will be practically ended at the weekend.

Germany will no longer face passport inspections, and visa restrictions for foreigners will be substantially eased. Goods controls will however remain in force - not least, because East Germany introduces a 9 per cent import surcharge on Sunday to try to protect its industry from a rush of imports of western consumer goods.

**'Failure of trade talks will hit poor'**

By Peter Montagnon, World Trade Editor

MR Barber Conable, president of the World Bank, has called on western leaders to break the deadlock in the Uruguay Round of multilateral trade negotiations at their summit in Houston next month.

An end to the deadlock was "imperative" for the sake of developing and East European countries which are liberalising their own trade but have so far had little influence over the Round, he said in a letter to President Bush and the other heads of state who will be attending the summit.

In his letter, Mr Conable carefully avoided taking sides in the dispute between the US and the European Community over reform of world farm trade that has threatened to derail the entire Round.

But he emphasised the need for a global reduction in barriers to trade and warned that nobody would benefit from fragmentation of the trading system if the Round failed.

Protection by industrial nations costs developing countries more than twice as much as they receive in aid. Output in the developing world would increase by 3 per cent if rich nations eliminated their import restrictions, he said.

Following the prescription of the World Bank, many developing countries had opened their own markets but they had done so unilaterally and the global gain would be much greater if trade were freed.

Agreement in the Round would benefit developing countries, especially in agriculture, textiles and clothing, he said.

**Russians brand Big Mac a hit**

By Alice Rawsthorn

IT IS nearly five months since McDonalds started selling Big Macs in its shiny new store on Moscow's Pushkin Square, but the queues outside are still a mile long every day.

With no major western companies like McDonalds setting up in eastern Europe, Lander Associates, the international corporate identity consultancy, has commissioned a study of awareness of international brand names in eastern Europe.

Sony, Mercedes-Benz, Adidas and Ford were the only brands to score highly in all three countries surveyed: the Soviet Union, Poland and Hungary. Sony was top in Poland and the Soviet Union. Mercedes did best in Hungary.

The study, by Gallup, asked 500 consumers in each country which international brand names they were most familiar with.

Cars dominated in every country. The West German luxury car companies - Porsche and BMW, as well as Mercedes - were especially popular in Hungary and Poland.

Japanese electronics companies - Sony, Sharp and Panasonic - scored highly. But west European brand names, especially the West German ones, scored highest of all.

The big US brands were surprisingly unsuccessful. Coca-Cola, McDonalds, Kodak and Pepsi-Cola cropped up, but Ford was the only US company to have high recognition.

The Gallup survey in eastern Europe, Lander Associates Europe, 5 Hill Street, London W1K 1PA.

**Business television channel faces closure**

By Raymond Snoddy

THE BOARD of the Swiss-based European Business Channel was meeting in crisis session yesterday to see whether the first continent-wide business television channel can survive. The channel was reviewing its options following the decision by Time Warner of the US, the world's largest media conglomerate, to abandon plans to take a substantial stake in the company.

As a result it is likely that EBC, which began broadcasting in November 1988 and which is available in 24m European homes by cable and satellite, will go off the air - at least for the time being.

Staff were yesterday preparing the programme as normal and the service is expected to continue to the end of this week. Staff have been told that whatever happens suppliers will be paid.

Time Warner executives arrived at the Zurich headquarters earlier this month to negotiate final details of a deal on what would have been the US company's first large foray into Europe since last year's merger of Time and Warner Communications.

The formal reason given for the decision was uncertainty over the length of EBC's concession with the Swiss Government and the number of hours of broadcasting involved. Another factor was concern about their degree of control over what had to remain a Swiss company.

It is believed, however, that relationships between shareholders and suppliers were also

a factor.

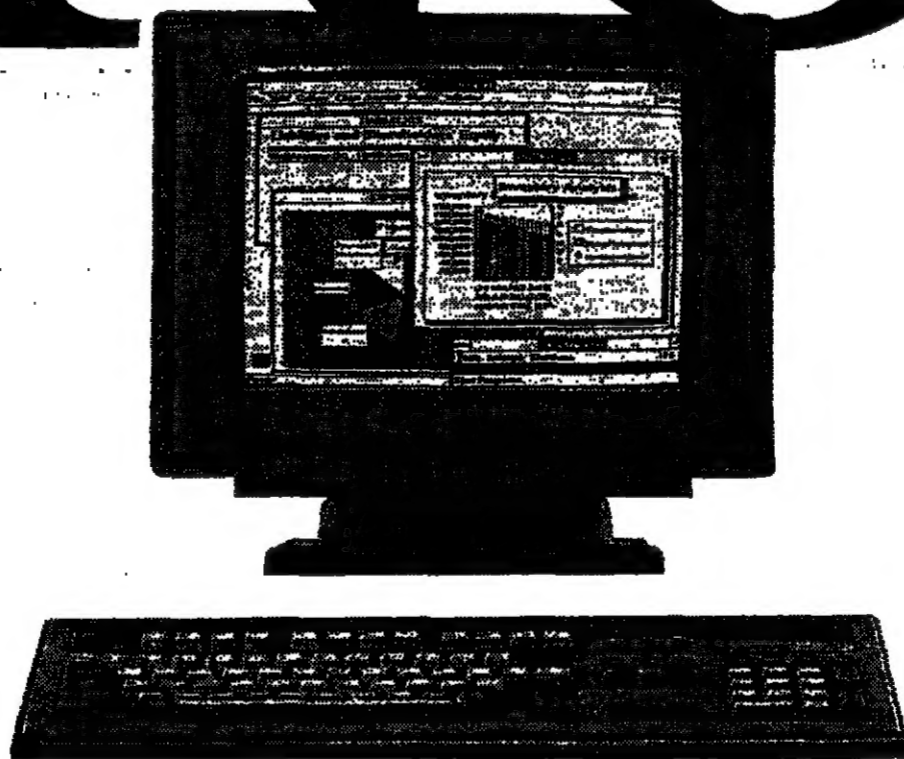
The main technical services for EBC are provided by a company called Linelight which is in turn controlled by Black Box, a holding company which is the second largest shareholder in EBC with 15 per cent.

Mr Felix Mathys, a Swiss businessman, controls 63.5 per cent through his company AWF. Thames Television, Britain's largest independent television company, initially had a 15 per cent stake in the venture. But Mr Richard Dunn, Thames managing director, warned in 1988 that the cost structure could not be sustained by likely earnings. Although still an EBC director Mr Dunn played no further part in the company and allowed the Thames stake to be diluted to 1 per cent.

EBC transmits half an hour of business news in English and German at breakfast time, and is later repeated. It is carried on a wide range of satellite channels including Sky One, Sky News, Super Channel and, in West Germany, ETL Plus and Sat-1.

The Time Warner stake was meant to finance not just a continuation of the service but also fund an ambitious expansion to six hours a day broadcasting in September.

Instead the channel is now fighting for survival in an increasingly competitive market. Two new European business services have recently started - a joint venture between CNN and the Financial Times and European Business Today launched by Clark Production.

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## INTERNATIONAL NEWS

# Japanese bank sees 10% growth for E Germany

By Stefan Wagstyl in Tokyo

EAST GERMANY will grow so fast that by the year 2000 it could match the current level of economic output per head in West Germany, according to a report published yesterday by one of Japan's leading banks.

In a bullish analysis, the Industrial Bank of Japan (IBJ) predicts East Germany will be thrown into economic upheaval in the first two years following monetary union next month. After that, however, heavy investment would fuel growth, which would top 10 per cent a year in the middle of the decade.

The likely average growth rates for 1990-95 will be 9.3 per cent and for 1995-2000 8.4 per cent.

Opportunities to pour capital investment into East Germany will boost the average growth rate in West Germany to 4 per cent in the first half of the decade and 3.8 per cent in the second, the bank says. West Germany would then be growing almost as fast as Japan has in recent years.

IBJ, one of Japan's foremost economic forecasting organisations, believes the economic unification of Germany is "a magnificent experiment in shifting an economy from central planning to relying on the market... This experiment will succeed as long as West Germany has the determination to press on with it."

The bank's optimism is in stark contrast to the caution with which Japanese companies are approaching East Germany. So far just three industrial groups have announced modest plans to invest in the country.

Nissan Motor, the car maker, has established a network of 36 dealers, but their main function will be to service travel-

lers from the west. Kao, a toiletries group, has set up a joint venture to sell shampoo and Sony, the electronics company, is to open a marketing office.

Instead, IBJ's study seems closer in spirit to the thinking of many West German companies, some of which are considering multi-billion D-Mark investments in the east.

The bank forecasts East German output will be down by more than 5 per cent this year and will stabilise at that level in 1991. The unemployment rate will rise to a peak of 20 per cent, or 1.7m people, in 1991 but it will then fall to between 10 and 12 per cent by 1995.

The main engine for growth will be huge private and public investment in industry and the infrastructure. Investments are expected to total DM13bn (\$4.49bn) this year and DM42bn in 1991. Supported by this flow of capital, much of it coming from West Germany, per capita output in East Germany will reach 80 to 100 per cent of the present West German standard by 2000.

As for foreign trade, East Germany will absorb some of West Germany's surplus but will by no means wipe it out, IBJ says. The ratio of the trade surplus will fall from about 4 per cent of GNP now to just over 2 per cent by the mid-1990s.

However, in contrast to many other forecasts, the bank does not expect East Germany's need for capital to drive up interest rates around the world. It says the country's requirements can be met from West Germany's trade surplus.

Moreover, careful monetary control by the West German authorities should ensure that inflation does not reach dangerous levels in the east.

## Khmer Rouge fighters close in on capital

By Robin Pauley, Asia Editor

KHMER ROUGE guerrillas in Cambodia appear to have made their most significant gains in 11 years of fighting.

In a series of attacks this week the group has overrun towns near the capital Phnom Penh and has forced the evacuation of thousands of civilians, according to reports reaching Bangkok.

The attacks by Pol Pot's small but effective band of guerrillas is stretching government forces already bogged down by political infighting in Phnom Penh.

The reports are unsubstantiated and previous ones have proved inaccurate or exaggerated, diplomats are giving the latest claims increasing credence.

"The government is in danger of falling apart," a Bangkok-based diplomat said. Military losses and internal dissent over what action to take on a economic blockade by the west is bringing the government of Hun Sen closer to collapse.

According to reports slowly coming out of Cambodia, during a recent guerrilla attack on the Kompong Thom area north of Phnom Penh forces had been killed and wounded.

Red Cross officials in Phnom Penh estimate at least 25,000 refugees are fleeing fighting in the towns of Kamot, Kompong Speu, Kompong Chhnang and Kompong Thom.

The Hun Sen Government, installed and backed by Vietnam after its 1978 invasion, has been trying to survive since the Vietnamese pulled out in September. In the past month it has foiled a coup attempt by dissidents within the Government.

Mr Cham Prasidh, vice minister to the Cambodian Council



Hun Sen: economy close to collapse

of Ministers, arrived in London yesterday although it is unlikely any British minister will see him.

Although the British Government is anxious to revise its policy on Cambodia and has stated its opposition to the possible return of the Khmer Rouge, who killed more than 1m people during their four years of rule from 1975, British policy is being determined by Washington.

The US is opposed to any meetings with ministers of the Hun Sen regime and insists that the economic blockade must continue, although opinions are now divided between the State Department and Pentagon and Congress about what policy to follow.

Senator George Mitchell, Senate majority leader, has challenged the State Department, saying US policy in Cambodia should be aimed at isolating the Khmer Rouge and that the US Administration should enter direct dialogue with the Phnom Penh to ease restrictions on humanitarian and development aid.

# Indian Airlines may be allowed to fly A-320s again

By David Housego in New Delhi

INDIAN AIRLINES, India's domestic carrier, might soon be allowed by the government to resume flights of the Airbus A-320, according to senior officials.

The possibility has opened up in the wake of the difficulties the airline has experienced in leasing the 14 Airbus A-320s that were grounded in February after another A-320 crashed at Bangalore. Officials say that the response to the leasing offer has been not very encouraging because Indian Airlines were only willing to release the aircraft for an initial period of six months.

The airline has received a better response to its offer to sell the four

A-320s which it was due to take delivery of in March but which still lie on the tarmac in Toulouse where Airbus has its headquarters.

A controversy over the ownership of these has arisen: Airbus Industrie says that as Indian Airlines has still to pay 85 per cent of the price they do not yet own the planes.

Officials expect the cabinet to be asked to take a decision on whether to resume flights within the next fortnight.

But signs that government thinking is moving in this direction are that the Directorate General of Civil Aviation has asked Indian Airlines to ensure that the aircraft are ready to

fly and that pilots training has been kept up to date. The airline has already been authorised to use the A-320 for flying freight.

Mr Arif Mohammad Khan, the Minister of Civil Aviation, has repeatedly said that there would be no resumption of passenger flights until the government had received the report of the judicial inquiry into the February crash. The court of inquiry is expected to begin its final deliberations on July 2 - thus raising the possibility that this objection could be removed.

Decisions on a resumption of operations come at a time when there are likely to be substantial managerial changes at Indian Airlines. Mr

P.C. Sen who has been acting managing director of the airline since the crash is likely to step down this week-end. His deputy will then take over for an interim period before a new managing director is appointed.

The grounding of the A-320 has cost Indian Airlines - which expects to report a loss for the year ending March - Rs20m (\$3.6m) for the 18 weeks during which flights have been suspended according to government estimates. Though a leasing of the 14 A-320s currently grounded in India now seems unlikely, the airline remains keen to sell the four aircraft in Toulouse for the cash the sale would provide.

Indian Airlines says it has received many offers for the airplanes - some above the price it agreed to pay Airbus Industrie. Airbus, however, is raising objections to the sale both because it claims still to be the owner and also because the warranty and spare agreements that go with the A-320 are drawn up with Indian Airlines. Airbus also wants Indian Airlines to shoulder the cost of the Indian carrier failing to take delivery in March.

A further factor in favour of a resumption of flights is that Indian Airlines has run into difficulties in leasing aircraft from other airlines to make good its shortage of capacity.

## Group seeks talks on Kashmir

By David Housego

A GROUP of academics and former politicians has attempted to break the deadlock between India and Pakistan over the Kashmir issue.

A statement issued by 27 Indians and Pakistanis including former foreign secretaries, judges and ministers - calls for an early meeting between the prime ministers of the two countries. The group says the meeting should be without pre-conditions and in the framework of the Shimla agreement, which provides for restoration of normal relations.

Among those who signed the statement were Mr Jagat Mehta and Mr A.P. Venkateswaram, both former Indian foreign secretaries, and Mr Muhammad Yaqub Ali, a former Chief Justice in Pakistan. The call, which is believed to have been approved by both governments, coincides with an easing of tension following agreement on a meeting of foreign secretaries in Islamabad next month.

The meeting was arranged under strong pressure from the US and other nations anxious to see India and Pakistan resuming dialogue. A substantial differences remain between the two sides, hopes of any real progress are not high.

India refuses to consider separation of the state and insists that the Kashmir issue is an internal problem. Pakistan calls for Kashmir to be given the right to self-determination and for an end to repressive measures by the Indian security forces.

Refusing the continuing violence in the state, three people were killed and five wounded in separate incidents in the Kashmir Valley yesterday. A curfew was relaxed during much of the day in Srinagar, the capital of the state.

## Troops fire on Liberia protest

LIBERIAN soldiers ran through Monrovia firing wildly yesterday after dispersing protesters calling for the resignation of President Samuel Doe, Reuters reports from Monrovia.

At least five people were wounded when troops fired automatic rifles into the air to stop several thousand demonstrators marching on President Doe's mansion. The incident triggered shooting throughout the capital for more than two hours.

Protesters dove into houses for protection. In one brick shanty, students, reporters and market women crouched as bullets flew. A mother calmly breast fed her child, ignoring the soldier outside who emptied two magazines into her yard.

Supported by a Government ruling to accept only in-house unions in the electronics sector, Hitachi, which operates a television components plant near Kuala Lumpur, had rejected worker demands to join a national union.

The staff went on strike to press their claim and to try to secure the reinstatement of eight colleagues dismissed earlier.

The workers have now returned to work without any changes to their terms of employment. Although Hitachi had wanted to use the rehiring as an opportunity to cut wages, it has now backed off this proposal at the Government's prompting.

But there will be no membership of a national union and the rehired workers are being required to sign prepared letters apologising for the strike. About a dozen of the workers, presumably strike organisers, are not being rehired.

Watching closely over the tussle is



A soldier guards a Land Rover once used by President Kenneth Kaunda, which was destroyed in rioting on Tuesday

## Death toll climbs as Zambian riots spread

By Mike Hall in Lusaka

RIOTING and anti-government demonstrations yesterday broke out in Kafue, 30 miles south of the Zambian capital of Lusaka, as violent protests against food price increases entered a third day.

Troops were sent in to restore order after rioters looted shops. Detainees were held in the town's stadium.

A round-the-clock curfew has failed to curb violence in Lusaka, where President Kenneth Kaunda has been meeting advisers.

At least 20 people have died in rioting, according to hospital officials, and many more remain critically injured.

In the capital large crowds, defying the curfew imposed on Tuesday night, gathered in several outlying townships shouting anti-government slogans and calling for President Kaunda to resign.

For several hours automatic gunfire could be heard in two of the biggest townships of Mushendere and Kalitanga - where some of Lusaka's poorest people live in makeshift huts.

There was an eerie silence in the city's main business district as most people "scurried" to their homes and shops.

Thousands of township residents attacked and looted several commercial farms about 15 miles east of the centre of Lusaka. Security forces rescued several families.

Officials are worried that, as most shops have already been looted and food supplies are unobtainable, mobs

may turn on private houses in the city.

Trucks of maize were brought into Lusaka under army escort. However, supplies for the security forces, many of whom have been on duty throughout the unrest, have been given priority.

A police spokesman said 550 people had been arrested during the first two days of rioting. A team of investigators was "scurrying" to identify those out who were agitators. Innocent people would be released, he added.

Kitwe and Ndola, two important copper mining towns, remained peaceful yesterday.

Mobs had thrown stones at passing vehicles on a main road near Kitwe on Tuesday and a government shop was looted.

## South Korea claims successes in combatting counterfeit goods

By John Kidding in Seoul

SOUTH KOREA is making considerable progress towards reducing the production of counterfeit goods, a government anti-counterfeiting organisation claimed yesterday.

Mr Kim Chul-sun, commissioner of the Korea Intellectual Property Office (Kipo), which reports to the Ministry of Trade and Industry, said that "while we recognise that the problem still exists, we have made a strong and concerted effort to reduce fake products in both the domestic and international market and our perception is that the problem has substantially decreased."

Mr Kim's remarks follow a report issued earlier this week by Union des Fabricants (UDF), an organisation representing some of Europe's leading trademarks, which said that Korea had failed to limit the sales of fake products and which urged a series of new measures to combat the problem.

According to Kipo, there has been a sharp increase in the number of seizures of counterfeit products. The organisation says that whereas 4,257 articles were confiscated in 1988, 153,250 items were confiscated in 1989 and 186,541 between January 1 and June 20 in the current year.

The increase is attributed to intensified control over the manufacturers and the main distributors of fake goods, Kipo, which estimates the annual value of domestic sales of counterfeit products at over \$100m, also said that it is pressing for stiffer sentences for those convicted of such offences.

But the UDF argues that while the number of seizures and raids on counterfeit producers has increased, there has been little impact at the level of sales to customers.

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## US Peace Corps to leave Philippines

By Greg Hutchinson in Manila

WASHINGTON is to withdraw all 261 of the American Peace Corps volunteers from the Philippines following intelligence reports the US Peace Corps would be the next target for communist attacks.

The aid workers live and work for 12 months or more in communities in far-flung parts of the archipelago. Some of the areas are under the influence of the communist New People's Army who have always been intransigent to the volunteers' activities and have accused some of being spies.

A US official, announcing the suspension of the Peace Corps programme, said the move was regretted but necessary given the seriousness of the threat and the volunteers' extreme vulnerability in the remote countryside.

The bulk of the volunteers have arrived in Manila, having been ordered there last week.

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## Amnesty accuses Sudan military of torture

THE Sudanese military government, which seized power from the civilian administration in a coup in June last year, has been accused by Amnesty International of using torture, Michael Holman writes.

In the past six months over 60 prisoners have been tortured in secret interrogation centres in Khartoum, the London-based human rights organisation said in a statement yesterday. Since the coup "hundreds of political opponents have been detained and many others have been executed," Amnesty alleged, adding it has details of over 200 political leaders, trade unionists, academics, and lawyers held without trial.

through by setting its own example. Last week the Finance Ministry announced the system would be introduced in future privatised enterprises. By doing so the unions suspect that reform proposals could evolve into policy which, in Malaysia, effectively became law.

Flexi-wage has the far-reaching consequence of passing the risks of cost and price fluctuations to workers. But unions will face pressure to relent if the Government can foster the belief that more jobs can be saved during recessions.

A series of meetings are to be held later this year among representatives of the Government, employers and unions to discuss these reforms.

Dr Mahathir Mohamed, the Prime Minister, is already on the offensive. On June 17, a day before the Hitachi strike broke out, he told a rally that the future of more investments and more jobs depended on an acquiescent labour force.

His Government faces a general election with a booming economy but persistently high unemployment rates, hovering near 8 per cent since 1986.

Full employment, Dr Mahathir said, was within reach. Jobs would be created not by unions but by the Government. Employers like Hitachi believe jobs are created solely by companies.

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## AMERICAN NEWS

## Bush draws up Latin American recovery plan

By Lionel Barber in Washington

PRESIDENT George Bush has drawn up an economic plan for Latin America, which looks to increase trade and foreign investment to help the region's heavily indebted economies.

The initiative aims to blunt Latin American criticism of the debt reduction plan named for Mr Nicholas Brady, US Treasury Secretary.

It is also intended to counter fears that the US has become too preoccupied with Europe at the expense of its own southern neighbours, many of which have recently returned to rule by democratically elected governments.

The White House made public yesterday some of Mr Bush's prepared remarks before a keynote speech on Latin America later in the day.

"Prosperity in our hemisphere depends on trade, not aid. And prosperity requires more, not less, of an economic partnership," Mr Bush said.

In line with the administration's general approach to foreign aid, Mr Bush was expected to call on Japan and the European allies to become involved in the region and to share the financial burden.

The new measures - which follow a three-month inter-agency review - are intended to supplement the debt reduction strategy put forward last year by Mr Brady.

The Brady plan placed more emphasis on offering relief for heavily indebted foreign countries, mainly in Latin America. The Philippines, Costa Rica - and most notably Mexico - have negotiated agreements under the Brady plan. Venezuela is doing so.

But other big debtors, such as Brazil and Argentina, are a long way from qualifying for treatment under the Brady plan. Also, the administration is sensitive to criticism that its preoccupation with combating drug-trafficking in and beyond the region has distorted its overall policy.

Discounting narcotics-related aid, US assistance to Central and Latin America is declining, despite the recent special assistance to Panama and Nicaragua.

This is due to budgetary constraints in the US, as well as the continuing favoured status of countries like Israel, Egypt, Pakistan and the Philippines.

## Milken to be probed further by the FDIC

By Alan Friedman in New York

THE FEDERAL Deposit Insurance Corporation (FDIC) in the US is to launch a new probe into the affairs of Mr Michael Milken, the billionaire former junk bond innovator at Drexel Burnham Lambert, the New York securities house, who admitted in April he was guilty of six federal felonies.

The FDIC said yesterday it was forming a special task force, as part of increased efforts to recover millions of dollars lost by depository institutions in junk bond deals with both Mr Milken and Drexel.

The new task force will consider possible criminal referrals to the Justice Department.

Mr Alfred Byrne, FDIC general counsel, said it and Resolution Trust Corporation, the agency set up to handle the rescue of the US savings and loan industry, might be among the largest creditors in the Drexel bankruptcy.

Mr Milken, who will be sentenced this autumn, agreed in April to pay \$600m in fines, and pleaded guilty to five securities law charges and to one income tax charge.

## US keeps the comrade at arm's length

Lionel Barber assesses a mixed reception during Nelson Mandela's Washington visit

DURING his three days in Washington, Mr Nelson Mandela was treated as the leader-in-waiting of South Africa's first post-apartheid government. He spoke to a joint session of Congress, he had a three-hour audience, plus lunch, at the White House, and his motorcade was almost as long as President Gorbachev's.

But, on his way yesterday to Atlanta during his 12-day US tour, the 71-year-old deputy president of the African National Congress must have known that, for all the courtesy and bonhomie, President George Bush is no soft touch.

On the issues of importance to Mr Mandela - sanctions against South Africa, financial assistance to the African National Congress, and the validity of violence in the struggle against apartheid - Mr Bush gave not one inch.

He made clear he would continue to press the ANC (as well as all other parties to the conflict) to renounce violence. He informed the black nationalist that the US would not directly fund the ANC. Also, he rejected Mr Mandela's appeal to be consulted on when to remove sanctions against South Africa. The President's only promise was to consult Congress, in line with the provisions of the 1986 Comprehen-

sive Anti-Apartheid Act. Mr Mandela appeared sufficiently jolted by Mr Bush's call for an end to violence that he took the unusual step of reprimanding the President for being inadequately briefed on conditions in South Africa. For Mr Bush, an old CIA hand who prides himself on reading his intelligence briefs, this was an insult.

Washington was always going to be the most difficult stop on Mr Mandela's schedule, partly because of Mr Bush's declared desire to show a gesture of support for the reformist South African President F.W. de Klerk. Besides, no US president is likely to feel comfortable embracing a left-inclined head of a liberation movement such as Mr Mandela, still less a man who calls President Fidel Castro, Colonel Muammar Gaddafi and Mr Yasir Arafat "comrades in arms".

Mr Mandela did his best bridge the divide. The former boxer spoke on Monday night of his admiration for Joe Louis, the black American heavyweight boxing champion who had been given a chance to rise to the top of his profession. He described the private sector as "an engine of growth" and declared that the ANC had no ideological position which dictated a policy of nationalisation.

In his speech to Congress, Mr Mandela likened his battle against apartheid to the fight for justice pursued by George Washington, Thomas Jefferson, Abraham Lincoln and Dr Martin Luther King. The applause flowed, but more memorable was the silence as Mr Mandela, too didactic, sought to educate members on the history of the struggle.

"This was a big opportunity missed," said one informed African observer in Washington. "Mandela had the chance to make a big sales pitch for financial aid, and he failed to take it."

Congress has already set aside about \$10m of taxpayers' money this year to be dispensed by non-governmental US organisations, such as the National Endowment for Democracy, to help black South African groups. The key condition is that such groups "suspend violence in the context of negotiations". By promising an imminent "cessation of hostilities", Mr Mandela may have done just enough to qualify for indirect aid.

This week, he spelt out that "a cessation of hostilities" would occur once the de Klerk government had removed the remaining obstacles to negotiations on a new constitution. These include return of 20,000 political exiles, release of 1,000 political prisoners, repeal of

repressive legislation, and full removal of the state of emergency.

Although Mr Mandela expressed confidence on this point, many observers believe such an agreement with the Pretoria government could be several months away.

Even so, Mr Herman Cohen, Assistant Secretary of State for African Affairs, conceded this week that a deal on political prisoners, coupled with the lifting of the state of emergency in the province of Natal, would be enough to allow Mr Bush to recommend suspending or modifying sanctions.

Under the Anti-Apartheid Act, the US Congress has 30 days to consider such a recommendation.

Unless, within that period, the House and Senate were to pass a joint resolution against the President's recommendation, he would have the authority to modify or suspend the sanctions (which include a ban on new US investment, a ban on imports of certain commodities and on air links between the US and South Africa).

A question causing more than a little nervousness at the State Department is: What happens if reform in South Africa moves more rapidly than expected? What happens to the bipartisan policy with Congress on South Africa once the common enemy of apartheid is



Mandela jolted

removed? Most important of all, has Mr Mandela's trip changed the equation?

Only Mr Bush and his friend Mr James Baker, US Secretary of State, can deliver the answer. Much will depend on their calculation of whether Congress will tolerate support for Pretoria, and how acceptable that would be in this Congressional election year.

## US growth firm as leading indicators rise

THE US Commerce Department yesterday reported a strong May rebound in the index of leading indicators, *Reuters* writes from Washington. The index rose 0.8 per cent last month, following a revised 0.1 per cent drop in April. The May increase was bigger than most economists had expected.

The latest evidence of faster growth probably means the Federal Reserve Board will maintain a policy of containing inflation, financial analysts said.

The Department said the May rebound stemmed from an increase in the length of the work week, higher prices for raw materials and increased orders for consumer goods.

The rise in the stock market in the month was the other main positive influence, and market economists had accu-

ately forecast the index. Last week the department reported a strong rise in orders for durable goods - manufactured items meant to last three years or more. The economy grew at a 1.9 per cent annual pace after inflation between January and March.

The index's 0.8 per cent May rise suggested that a decline in manufacturing has ended and the risk of recession has subsided.

But despite recovery in the industrial sector, persistent sluggishness in consumer spending means the economy is not out of danger, analysts say.

The strongest negative in the May index was a drop in consumer expectations about the economy's outlook, a signal that shoppers may become more conservative.

## Shell Chile under fire over toxic waste

By Leslie Crawford in Santiago

CHILEAN environmentalists have denounced a toxic waste dump in the Atacama desert which threatens to pollute the water supplies of the city of Antofagasta and to contaminate the Pacific Ocean.

According to the National Committee for the Defense of Flora and Fauna (Codeff), Shell Chile has used the site, located about 30 miles south of Antofagasta, to dump by-products from the manufacture of chemical reagents for the mining industry for the past 10 years.

The waste material was not sealed in containers, but poured directly into a pit. When Mr Guillermo Soublette, one of Codeff's directors, discovered the site by accident last week, he found a red, transparent liquid floating about 20 inches from the surface.

Shell Chile says the waste material is composed of organic chemicals which pose no health hazard. The company says that the dump was authorised by Chile's National Health Service.

According to Mr Soublette,

however, no chemical analysis has been carried out on the site. More than 25,000 tonnes of waste have been deposited in the course of 10 years and this could have percolated down to underground water seams which run from the Andes to the Pacific.

Shell Chile says there is no reason to believe that these subterranean water channels have been contaminated, but that it has not carried out any geological survey of the area. Shell has promised to study the possibility of recycling the waste material.

Mr Soublette says several nearby industries draw water from underground wells. Last September, Codeff brought a legal protection suit against Pacific Chemical, a Canadian company which planned to export the filings of steel mills, which contained lead and zinc, for burial in Chile.

As a result, the military government issued a decree prohibiting imports of toxic substances from industrialised countries or their recycling.

## Quebec starts on constitution

By Robert Gibbens in Montreal

QUEBEC has begun work on its own constitution to lay out terms for future relations with Canada, Mr Gil Remillard, the Justice Minister said.

But he told the Patronat, the employers' organisation, that Quebec still sought a federalist solution to the country's problems following the failure of the Meech Lake Accord. The new federal link, he said, would be enshrined in Quebec's own constitution.

However, Quebec business leaders, including those who strongly backed Premier Robert Bourassa's attempt to have Quebec declared a "distinct society" and to gain more powers over culture and immigration, said they wanted Quebec to remain part of Canada and to concentrate on solving economic problems.

They also want Quebec to forge closer ties with Ontario, its largest trading partner.

## Contra leaders hand over weapons

By Tim Coone in Managua

THE ENTIRE leadership of the Nicaraguan Contra rebels, handed in their weapons to UN troops yesterday, so completing the demobilisation of their army which was founded and sustained for almost nine years by the US Government.

The Contra military chief, Mr Israel Galeano, otherwise known as Commandante Franklin, said "the war in Nicaragua is over."

Almost 20,000 Nicaraguans have been formally registered as demobilised rebels by the UN, although many of these handed over rusted, inoperable weapons.

The effective Contra fighting force was estimated to be closer to 12,000 troops.

Sixty-two surface-to-air "Red eye" missiles, the most lethal weapons in the Contra armoury, were decommissioned on Tuesday.

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## UK NEWS

## BNFL to view nuclear schemes

By David Thomas, Resources Editor

PROPOSALS for new nuclear power stations will soon be presented to British Nuclear Fuels, the state-owned nuclear reprocessing company, by the world's leading power plant manufacturers.

BNFL said yesterday Mitsubishi of Japan, Westinghouse of the US, Framatome of France, Asea Brown Boveri, the Swedish-Swiss group, and

KWU, a subsidiary of Siemens of West Germany, are expected to submit proposals by about the end of August.

Mitsubishi said in Tokyo that its feasibility study was for a plant worth about 300m Yen. Mitsubishi has yet to decide whether to propose one 1,200 megawatt reactor or two 600 MW reactors, but it will use the reactor design it has

developed for Japanese power stations.

Mr Derek May, BNFL's director of corporate development, said yesterday that the company was seeking a reactor design which was well proven in other parts of the world. "There isn't exactly a glut of orders around the world at the moment, so all the big suppliers have shown an interest."

## CAA allocates £750m to boost airport safety

By Paul Abrahams

MORE than £750 million is to be invested in sophisticated air traffic control technology to improve passenger safety and cope with increasing traffic, the Civil Aviation Authority announced today.

CAA chairman Sir Christopher Tugendhat told a news conference: "Our aim is to improve safety as well as to increase capacity."

The money will be spent over seven years in response to predictions that air traffic through London will increase by as much as 30% by 1998.

Mr Derek McLachlan, director-general of projects and engineering, said he hoped to see an improved conflict alert system by the late 1990s.

This would detect 30 minutes in advance aircraft likely to fly too close to each other. Present systems can give only a five-minute warning.

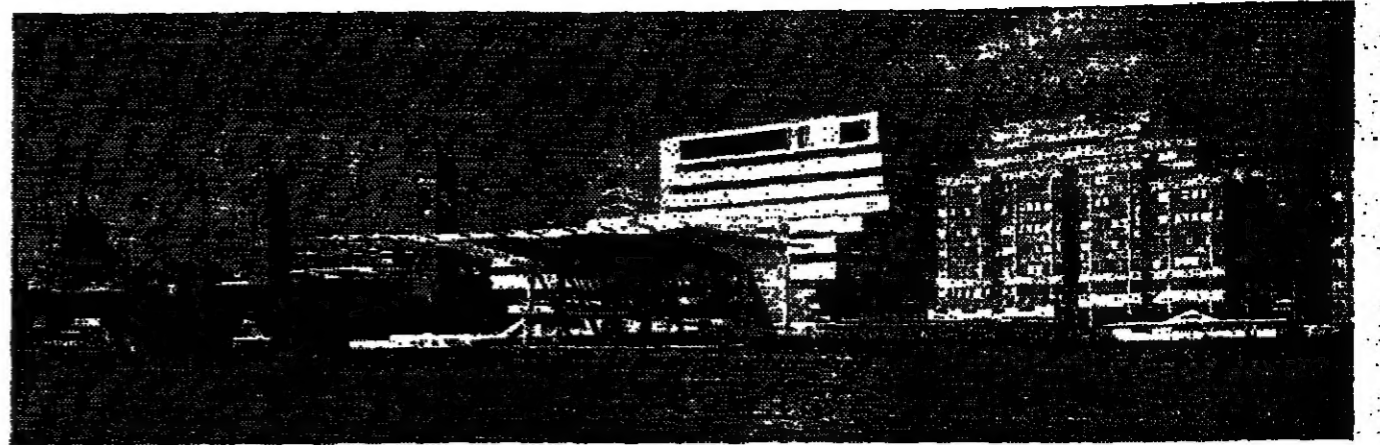
He forecast that air traffic controllers would soon have bigger and better radar displays and improved computer back-up.

One of the most significant projects in the investment plan is the central control function (CCF) which is expected to increase the capacity of London's present air lanes by using so-called "tunnels in the sky".

Other key elements include a Scottish radar programme and a new en route air traffic control centre outside the CCF. This would cope with the predicted 40% increase in air traffic capacity over the rest of England and Wales by 1998.

The CAA also spoke of the possibility of another London runway by early next century. More air traffic controllers will also be employed.

Sir Christopher added that these investments were crucial to Britain, and called for a Europe-wide air traffic control strategy.



An artist's impression of the proposed City heliport, with present riverside buildings

## Heliport storm over the Thames

By Paul Abrahams

THE PEACE of the City of London is being given by helicopter blades. The great and the good of the Square Mile are drawing up in opposing battle-lines to contest the right of a Hanson-led consortium to build a City heliport next to Cannon Street Station on the Thames.

Today the two sides opposing and proposing the heliport will clash at the City Corporation's Court of Common Council when it will decide whether to give its assent for the heliport's construction.

The decision today by the Court of Common Council will not be definitive. The Secretary of State for the Environment has called the matter in for a public inquiry. But City of London Helicopters admits the council's decision will not be decisive.

The battle-order of the two sides is impressive. Lords, knights and gentlemen abound. In the green corner, amongst others, is the seventh Lord Camoys, otherwise known as the deputy chairman of Barclays de Zoete Wedd (club: Boodle's and Pratt's); Iain Vallance, chairman of British Telecom; the benches of the Honourable Societies of the both the Inner and Middle Temple; the liveries of the Worshipful Company of Fishmongers; and those of the ecologically somewhat doubtful Worshipful Company of Tobacco Pipe Makers and Tobacco Blenders.

In the other corner is a consortium called City of London Helicopters, led by among others, Lord Hanson (club: Brooks's, Huddersfield Borough) and Sir Kit McMahon, chairman of Midland Bank, together with companies such as the Carroll Group, BAA, formerly British Airports Authority, and Trafalgar House. Their proposals are backed by worthy institutions such as the Stock Exchange, Lloyd's, the Confederation of British Industry and the London Chamber of Commerce and Industry.

The main objections to the plan are linked to environmental and safety issues. Lord Camoys explains that the numerous take-offs and landings at the heliport would intrude heavily on buildings throughout the City. This

would be particularly true in the old single-glazed halls of the City livery companies and in the hms of Court.

City chairmen are now talking apparently knowledgeably about NMI - which the Civil Aviation Authority explains is a composite measure of exposure to aircraft noise taking into account the average peak noise level and the number of aircraft in a specific period.

Sir Gordon Booth, a director of City of London Helicopters, explains that after taking off the helicopters would fly along the river until they reached a height of 1500ft when they could fly directly to their destinations. He argues that at this height the amount of additional sound from the helicopters to the existing ambient noise is minimal. He says that a trial at the City of London School demonstrated there was not a noise problem.

Naturally, those objecting to the scheme disagree. The Worshipful Company of Fishmongers recently carried out tests at its hall, the results of which it describes as disastrous. Apparently, conversation became impossible.

A further objection is the question of safety. British Telecom has pointed out that the heliport will be right next to the company's international exchange. If an accident were to occur, the City's overseas communications could be severely disrupted.

Sir Gordon says the risks of accidents are minimal. The aircraft which would be used at the heliport are twin-engine. Similar helicopters have operated at the Battersea heliport for 31 years during which there have been only four incidents, none of which was fatal.

Busy heliports already operate in New York and Paris. But those in the City gleefully expecting to use the heliport to whisk them off to Heathrow or Epsom over London's undoubted traffic problems may be disappointed, however. One accusation that can successfully be leveled at the proposed heliport is elitism. The aircraft which would be licensed to operate from Cannon Street are normally configured to carry a maximum of about six passengers. With only about 20 take-offs and landings each working day, there will be room for a few Lords, the odd knight, but few ordinary ladies and gentlemen.

## Ministers face attack over N-power privatisation

By David Thomas, Resources Editor

TWO CABINET Ministers, Mr Cecil Parkinson and Mr Malcolm Rifkind, were severely criticised yesterday by the Conservative-dominated Commons Energy Committee for mishandling the attempt to privatise Britain's nuclear power stations.

Its report on the cost of nuclear power, published yesterday, contains one of the sharpest attacks on Government incompetence ever issued by a select committee.

The report is scathing about the long-term failure of the Department of Energy to monitor adequately the costs of nuclear power.

It also criticises aspects of the advice on nuclear costs given by Kleinwort Benson, which remains the Energy Department's merchant bank for electricity privatisation. Kleinwort Benson refused to comment last night.

The need to subsidise nuclear power to the tune of £900m a year through a levy on electricity bills, the creation of a less than fully competitive privatised electricity market and the collapse of the pressurised water reactor nuclear pro-

gramme are some of the consequences of the Energy Department's mistakes identified in the report.

Mr Parkinson was the Minister initially responsible for electricity privatisation until he was moved to his present post of Transport Secretary.

The report says he made inadequate preparations for the privatisation, failed to obtain the necessary information, gave insufficient priority to nuclear issues and paid insufficient attention to the advice of his financial advisers.

Mr Rifkind, responsible for electricity privatisation in Scotland as Scottish Secretary, committed similar errors and presided over the "inexcusable" mistake of not trying to find out the true cost of nuclear generation until late in the day.

Mr John Wakeham, who abandoned the attempt to privatise nuclear power last November after he had succeeded Mr Parkinson as Energy Secretary, last night tried to rescue his predecessor's reputation.

"Cecil deserves real credit for his determined action (in

launching electricity privatisation)," said Mr Wakeham in a letter to the energy committee, which also criticised the report for containing "unjustified personal criticisms."

However, Lord Marshall, who resigned as chairman of the Central Electricity Generating Board in November after the collapse of the attempt to privatise nuclear power, was also strongly critical of Mr Parkinson.

"I told Cecil Parkinson right at the beginning of the privatisation process that if he adopted his particular scheme for privatisation, he would be forced to kill off nuclear power," said Lord Marshall.

A row broke out yesterday at a press conference held by the select committee to present its report, when two Conservative MPs, Mr Malcolm Moss Moss and Mr Michael Stern, dissociated themselves from the paragraphs criticising Mr Parkinson.

The Conservative majority on the committee had removed an attack on Mr Parkinson for behaving in a "dilettante" manner from an earlier draft of the report.

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## Elf enters industrial gas market

By Steven Butler

ELF Aquitaine, the French state-controlled oil group, has indirectly entered the UK industrial gas market by acquiring a 45 per cent stake in Associated Gas Supplies (Agas), which has been struggling to establish itself in competition to British Gas as a supplier to industrial and commercial consumers.

Elf's presence as a large shareholder in the company looks certain to boost Agas's chances of successfully claiming a place in the market. Agas's efforts to negotiate a contract for gas supplies have

so far proved fruitless, with gas producers preferring to sell gas either to British Gas or to power stations.

However, Mr Pierre Moussel, managing director of Elf UK, said: "We could help them to have gas supply for their trade."

Elf has a number of gas discoveries which could potentially be made available to Agas. Both Mr Moussel and Mr Alan Marshall, managing director of Agas, stressed that deals between the companies would be conducted on an arms-length commercial basis.

Mr Moussel said that Elf, as

a large, committed participant in the British market, would lend stability to Agas and increase its credibility with customers.

Elf purchased the stake from Hanson, the US energy company whose business had come under pressure in the US. Hanson was a founding shareholder with Associated Heat Services, which retains its controlling 55 per cent interest.

Elf has spent hundreds of millions of pounds to expand its presence in the UK in both oil exploration and production, and refining and marketing.

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## UK NEWS

## ALLEGED LONDON SHARE DEALING RING

## City brokers' records face scrutiny

By Andrew Freeman

THE records of up to 15 different brokerage houses are being examined by the Serious Fraud Office and City regulators investigating an alleged share dealing ring connected to the collapsed Dunsdale Securities company.

The involvement of the SFO emerged yesterday as attempts to track down illicit deals intensified and further details emerged about the events which triggered Dunsdale's collapse.

The brokers, one of which handled a large proportion of Dunsdale's business in the months before its suspension, were used by the investment firm to make its share transactions.

A dealing ring is based around an agreement between employees of different securities houses to pool price sensi-

tive information for the purpose of making illegal trading profits.

City regulators are concentrating their investigations on a handful of individuals, at least two of whom were recently suspended by their City firms - the Swiss Bank Corporation and Barclays De Zoete Wedd.

However, there is considerable confusion over how far the Serious Fraud Office would be able to pursue any individuals involved with accounts held by Dunsdale. In particular, it is not clear whether existing insider dealing laws involved a technique known as front-running.

This is where parties deal in the market knowing that a large transaction is about to occur which will move prices

in their favour. Although this is in breach of City securities regulations, officials say it might not be enough to bring charges.

The individual who left Swiss Bank Corporation last week was Mr Gareth Robertson, the former director of the bank's equities group. Regulators from The Securities Association have questioned him concerning allegations over share dealings connected with Dunsdale. Mr Robertson is in France according to neighbours and not available for comment. The TSA would not comment.

Sources close to the bank said Mr Robertson introduced SBC to Dunsdale Securities. As a result of subsequent dealings, SBC lost around £1.1m which it is trying to recover.

In particular, investigators

are looking at a deal in which SBC purchased 1.6m Reuters shares from Dunsdale which later went badly wrong.

The transaction involving the Reuters shares may have precipitated the collapse of Dunsdale when the firm could not pay for the losses. The failure to pay alerted SBC to Mr Robertson's involvement.

However, SBC said it had no evidence of a share dealing ring.

The Investment Managers Regulatory Organisation (IMRO) is separately making inquiries into the case of a senior fund manager suspended by Barclays de Zoete Wedd Asset Management. Mr Roland Smith, deputy chief executive of IMRO said he was not in a position to make any comment.

## BRITAIN IN BRIEF



## Overseas companies spend £5bn

Overseas companies spent almost £5bn on UK-based acquisitions during the first quarter of the year - easily outstripping the £2.7bn expenditure by UK companies on foreign transactions.

The figures confirm the growth in UK acquisitions by non-domestic companies - a trend which appears to have been stimulated ahead of the "1990" harmonisation measures in Europe. That development has stimulated interest both from Continental European purchasers and from US/Japanese buyers. In the past three years, according to Central Statistical Office figures, acquisitions in the UK by overseas companies have totalled £2.7bn, £5.7bn and then £11bn respectively.

According to figures published yesterday by the CSO, buyers from the European Community accounted, by value, for about one-quarter of the £4.5bn cross-border deals in the UK. They struck 12 transactions, with a value of £1.36bn.

## Labour seals reform package

The opposition Labour Party, led by Mr Neil Kinnock, last night set the seal on a package of internal reforms intended to vanquish, in the run-up to the next general election, the old image of an undemocratic party firmly in the grip of the trade unions.

They are intended to lead to a more deliberative form of policy-making and gradually to reduce the influence of the unions in favour of individual party members.

The reforms are among the most fundamental since the party's constitution was written in 1918 and will go to

Labour's autumn conference for approval.

Mr Neil Kinnock believes that the overhaul of the policy-making machinery rank equal in importance alongside his grip on the ruling national executive committee has enabled reforms previously considered unthinkable to win majority support. The NEC voted for the changes by 21-3.

He said yesterday said the proposals represented "an excellent step forward, both for democracy in the Labour party and effectiveness of our process of policy development".

Though there is concern among the trade unions among the prospect of a diminishing voice in policy-making, Mr Kinnock has managed to win the backing of many by drawing them into the dialogue on proposed changes.



Kinnock: backs reform

## US touts at Wimbledon

Wimbledon officials yesterday held talks with their lawyers to find ways of stamping out American crime rings believed to have moved in on the tournament's ticket touting business.

Criminals squeezed out of New York where touting has been banned by tough legislation have moved to England where legal restrictions are more lax, officials believe.

They say it is not just Wimbledon that attracts American crime syndicates.

## Doctors plan offensive

Doctors leaders decided yesterday to launch a summer offensive against the

Government's health reforms to coincide with the changes becoming law.

The National Health Service and Community Care Bill is about to receive the Royal Assent, probably tomorrow. But delegates to the British Medical Association's annual conference in Bournemouth yesterday affirmed their determination to maintain opposition to the plans as the Government prepares to implement them from next April.

The BMA has already spent £2.5m in a campaign of opposition to the reforms.

## Lloyd's makes £509m profit

The £509m pre-tax profit made by Lloyd's of London, the insurance market, in 1989, results which under Lloyd's three year accounting system were announced yesterday, shows that the 300 year old institution, often denounced as obsolete, can still produce large rewards for its 28,386 members.

For a Lloyd's member with a £10,000 commitment to an aviation syndicate in 1987, at a time when aviation insurance rates were high, yesterday's results mean a profit of £2,080. Given that the £10,000 underwriting commitment may be invested elsewhere the member or "Name" effectively uses his money twice.

## SE information under attack

A sharp attack on the Stock Exchange's monopoly of market sensitive information was delivered yesterday by Sir Gordon Borrie, Director General of Fair Trading.

The exchange had "significantly restricted, distorted and prevented competition" in the market for company news, he said.

In a report to Mr Nicholas Ridley, Trade and Industry Secretary, Sir Gordon said the exchange was able to exploit its privileged early access to information acquired for regulatory reasons to build up a dominant position in the company news market through Topic, its news service.

Sir Gordon noted that the exchange had not set out to be anti-competitive and was proposing arrangements which would be introduced at the end of this year. He was also

concerned about the cost of the new plans and delays in introducing them.

## Minister backs Italian tactics

The tactics used by the Italian police to deal with English football hooligans at the World Cup were strongly defended yesterday by Mr Colin Moynihan, the Sports Minister, following Labour accusations that innocent people had been among those arrested.

Mr Denis Howell, the shadow Sports Minister, had complained that it was a disgrace the Italian police had arrested people miles away from any incidents.

After the worst outbreak of hooliganism in Rimini, 247 England supporters were



Colin Moynihan

deported by the Italian authorities.

However, Mr Moynihan congratulated the Italian police on their "tough, swift and effective" actions.

## Warning on telecoms market

The Government was warned yesterday against introducing too much competition into the telecommunications market.

Sir Bryan Carsberg, the Director General of the Office of Telecommunications, said yesterday that competition in the UK could "decrease the value for money."

Sir Bryan's said in the annual report of OfTel, the industry's regulatory authority, the Government would have to weigh up the advantages of improved efficiency that competition would bring against the disadvantages from lost economies of scale.

## Gentle note ends the Rover affair

Lucy Kellaway and Charles Leadbeater on the Brussels ruling

Contrary to its billing, yesterday's long-awaited European Commission decision on Rover was not the main event. In musical terms it was the coda - the notes which bring a piece to a satisfactory close.

That was how Sir Leon Brittan, the Competition Commissioner, chose to present the demand that British Aerospace must repay £44.4m in state aid granted illegally.

The main body of the music, he said, was the Commission decision in 1988 to cut from £800m to £469m the subsidy the British Government was proposing to pay Rover's new owner.

Sceptics might argue that by emphasising how tough the Commission's original verdict on Rover was, Sir Leon was simply seeking to deflect criticism from what many argued was a soft decision yesterday. Many feel that Rover has got off rather lightly.

The most doubtful part of Sir Leon's sums was the original price paid for Rover by British Aerospace. In trying to prove that there could be no case for demanding a higher payment, Sir Leon seems to have used some creative arithmetic, pull-

ing out of the hat a surprise extra £40m British Aerospace might have to repay some time next year.

This amount turns out to be uncontroversial, simply representing an estimate of unpaid aid paid against the restructuring of Leyland/DAF trucks.

Regardless of the exact sums, the Commission's seven-month inquiry into Rover/BAC has demonstrated the difficulty of establishing objective valuations based on sealed bids.

The whole experience is one Sir Leon does not seem anxious to repeat. "I personally would not be enthusiastic about calculating state aid in the future on the basis of closed deals," he said.

With the touchy matter of undervaluation resolved - no doubt to the great relief of the Government and British Aerospace - the remaining area of potential dispute will be over the notional benefit of deferring the £150m purchase price from July 1988, when it was due to be paid, to March 1990.

The National Audit Office and the Government value this deferral at £22m, but the Commission argues that it never takes national tax rates into

account in calculating these benefits, and is insisting on its figure of £33.4m. The Government is not likely to contest it.

Meanwhile, Sir Leon may have to put up with some complaints of partiality, but at least he can reply that his demands are not as weak as all that. He is asking for more back than the £38m sweeteners found by the National Audit Office.

The repayment of £44.4m will have little impact on British Aerospace's finances. The higher borrowing needed to make the repayment would account for just 2 per cent of profits. Even if BAE has to repay the further £60m, analysts say it will have acquired the car company cheaply.

Details of the Rover joint venture with Honda, the Japanese motor manufacturer, valued Rover at £200m, while Ford initially calculated it would have been prepared to pay between £400m and £600m.

The Commission's insistence that BAE should not be given favourable tax treatment is unlikely to significantly increase its tax bill. Although the financial

aspects of the ruling are unlikely to have any long term impact on BAE, it may affect the character of its relations with the Government as it copes with declining military spending.

But the defence cuts are straining the company's relations with the MoD and the Commission's ruling is a signal that it will take a close interest in the state aid involved in privatisation. That may force the Government to make its relations with BAE more transparent.

One of the most important consequences may be to force the Government to reconsider how it handles the sale of state corporations to private bidders. That may mean ruling out sales in which a bidder is awarded exclusive negotiating rights. There will be much closer scrutiny of profits forecasts, the valuation of land and minority shareholdings, all of which the National Audit Office says were underestimated in the Rover case.

The real significance of yesterday's decision is that the Commission, like an inquisitive neighbour, is likely to investigate the propriety of that relationship just as it comes under increasing pressure.

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## BUSINESS LAW

## US Court of Appeals rules SEC overstepped its authority

By Leo Herzl and Richard W. Shepro

ON JUNE 12, the US Court of Appeals in Washington DC decided unanimously that the Securities and Exchange Commission had overstepped its statutory authority in issuing Rule 19c-4, which, in general terms, prohibited a publicly traded company from issuing shares that would impair the voting rights of public common stockholders. The court referred to the SEC's rule as a "bad gamble."

Share voting is in itself a very important issue. However, the significance of this decision goes far beyond share voting.

First, there are several other instances where the SEC's statutory authority to issue an important rule is in question. The SEC's statutory authority to issue Rule 14d-10, which requires equal treatment of target shareholders in a tender offer, can be questioned on the same grounds as the court applied to Rule 19c-4.

Furthermore, in May, when the US Court of Appeals in New York reversed a criminal conviction for insider trading by a two to one majority, one of the two judges in the majority said that the SEC had exceeded its statutory authority in issuing Rule 14c-3 which prohibits insider trading in connection with tender offers.

Unlike Rule 10b-5, the SEC's general anti-fraud rule on

insider trading, Rule 14c-3, which is also an anti-fraud rule, attempts to impose liability for insider trading even when there has been no breach of fiduciary duty.

Second, the court's decision on Rule 19c-4 is an excellent example of the SEC's troubles with the conservative federal judges appointed by Presidents Reagan and Bush. These judges lean toward strict interpretation of statutes: statutes mean what the words say. Moreover, conservative judges usually have soft spots for leaving as much as possible to markets and individual states.

In its Rule 19c-4 opinion, the court said that it had been the intent of Congress that the main business of the SEC under the Securities Exchange Act of 1934 would be disclosure. Corporate governance in particular, the court said, is out of bounds.

The SEC argued that its responsibility to oversee stock exchanges, other national capital markets and the solicitation of shareholder proxies is broad enough to encompass the issuance of rules that regulate shareholder voting.

However, in the court's view, if the SEC could use this theory to justify Rule 19c-4, the outcome would be that the SEC could "establish a federal corporate law by using access

to national capital markets as its enforcement mechanism."

In the mid-1980s, several public companies took advantage of flexible state corporation laws and competition among stock exchanges and computerised and over-the-counter trading systems, to reorganise themselves to give some shares of common stock more voting power than others.

Three large family-controlled newspaper businesses, for example, the parent companies of the New York Times, the Washington Post and the Wall Street Journal, all perfected dual common stock voting structures to assure continued family control. Hershey Foods, General Cinema and several other prominent industrial companies joined in what became a controversial anti-takeover trend.

Most of these companies sought and obtained prior approval from public shareholders for their recapitalisations, usually in exchange for a slightly higher dividend. Eager on by institutional investors, the SEC took steps in July 1988 to end this competition by adopting Rule 19c-4. However, the SEC's statutory authority to issue the rule was questioned from the start, including by one of its own commissioners.

The rule that was finally adopted was a compromise. It prohibited a public company from issuing shares that diluted the voting rights of outstanding public shares but it did not interfere with companies that already had a dual common stock voting system in place. Nor did it stop companies that were becoming public for the first time from selling low-vote shares to the public.

By restricting the freedom of shareholders and management to make their own contracts, the rule reversed the Reagan Administration SEC's usual position of deference to the free market.

Many ardent free market proponents, however, applauded these restrictions on the ground that in this instance shareholders needed protection from themselves. Incongruously, this is the same argument that target boards use to justify defensive tactics in takeovers. The main point of the argument is that coercive incentives sometimes can prevent shareholders from co-operating in their self-interest.

Although the court struck down Rule 19c-4 for lack of statutory authority, the SEC's policy behind the rule is not beyond question. Companies which adopted dual class voting systems, with shareholder approval, may have been forg-

ing a harmonious bargain that benefited both shareholders and the control group.

According to the SEC, and other studies, these companies tended to be unusual. They had much higher insider holdings than other companies; showed, on the average, superior performance before the recapitalisation; and their share prices increased after the new voting plans were announced. When large non-monetary benefits can be obtained from control, maximum share price may not be the owners' first concern.

Owners of a family-controlled newspaper, for example, may regard the paper as a means of furthering their political philosophy and desire for public service. The newspaper may also provide congenial employment for some family members and social prestige for others. When the newspaper becomes a public company, the family may, therefore, be willing to sacrifice some economic return to assure their continued control. The public shareholders are left with the bargain they made.

If the change in voting rights occurs after there are public shareholders there still does not appear to be any ground for complaint. The public shareholders knew about family control when they bought

their stock. But, under Rule 19c-4, once the company had public shareholders it was too late to change its voting structure - or so it seemed.

Surprisingly, however, only a month or two ago, the SEC gave its approval to a dual class recapitalisation for Playboy Enterprises, which was already listed on the NYSE. Mr. Hugh Hefner, who owns more than 70 per cent of the company, voted his shares in favour of the recapitalisation; the public minority was given no voice in the decision. Considering that ruling, one wonders why the SEC was so eager to have Rule 19c-4.

It appears unlikely that the SEC will seek a Supreme Court review of the Court of Appeals' decision. The chances of success with that quite conservative court appear slim. There is also a risk that the Supreme Court might say something in its opinion that could cause the SEC extra damage.

Unless the Administration and Congress can be persuaded that a statutory change is desirable, a federal one-share-one-vote rule is dead. With scepticism about hostile takeovers so widespread, the chances of quick action by either the Administration or Congress appear remote.

Relief from the individual states is even less likely. They

have never shown an inclination for a rigid one-share-one-vote rule. Nor is this the time to expect pro-takeover legislation from them.

None the less, it appears highly unlikely that there will be a rush by companies to two classes of common shares. The device is suitable only in very special circumstances, such as when there is already a majority, or very large, shareholder group in control.

Moreover, there is no legal reason why stock exchanges and other associations of securities dealers registered with the SEC could not adopt their own one-share-one-vote rules, although, as in pre-Rule 19c-4 days, competition for business among them may make such a policy difficult to maintain without some uniform legal compulsion from the outside.

In addition, there are now plenty of other takeover defences available to most companies under state laws. 1. *The Business Roundtable v. Securities and Exchange Commission*, No 88-1651 (DC Cir, June 12, 1990).

2. *US v. Chestman, Fed Sec L Rep*, 95,214 (2d Cir, May 2, 1990).

The authors are partners in the Chicago office of the law firm of Mayer, Brown & Platt.



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Source: Nielsen Consumer Research of representative UK High Street stores conducted during June '90. Products subject to availability.

John, not 12

## MANAGEMENT: Marketing and Advertising

## Advertising

## French set sights on the international scene

Alice Rawsthorn asks whether the Parisian agencies will succeed

Every week the employees of Eurocom are bundled off to English lessons. The chairman keeps a battered Larousse dictionary by his desk. The receptionist rattles off English grammar in the gaps between telephone calls.

The English lessons are part of Eurocom's efforts to prepare staff for the company's new role as an international advertising agency. For Eurocom, the biggest force in French advertising, is increasingly ambitious in the international arena. Late last year it took control of the advertising agencies once owned by Agis of the UK. It is now negotiating a string of deals in other countries.

Eurocom is one of the new wave of French agencies which are increasingly active on the international front. Since the start of this year Boulet Dru Dupuy Petit has taken a significant minority stake in Wells Rich Greene of the US. Rous Séguela Cayzac Goudard has bought two businesses in the UK - Conran in design and KLP in sales promotion - as well as expanding its European advertising interests. Publicis has consolidated its two-year-old joint venture with Foote Cone & Belding, the US network.

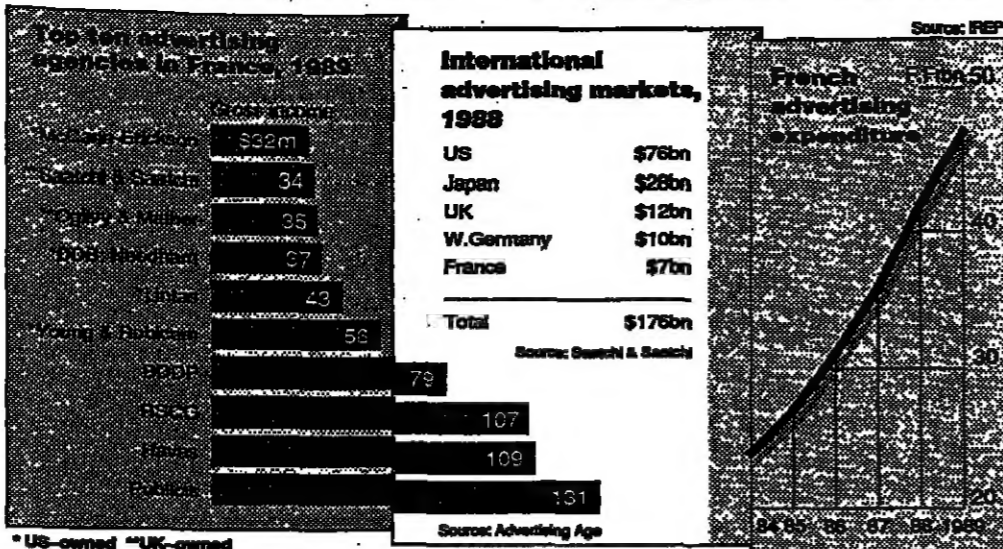
At a time when the agencies in London, New York and Chicago are preoccupied with cost cutting and consolidation, their Parisian counterparts are intent on further expansion. Yet the French agencies face serious obstacles in their attempts to become powerful players in international advertising. They are latecomers on the global scene and the cost and complexity of building - or buying - a new network is higher than ever before.

Bernard Roux, chairman of BSCG, says: "We have no alternative but to expand outside France. There is no future for us as a local agency, we have to become international."

The expansion of the advertising agencies comes at a time when companies from other areas of French industry are involved with ambitious international acquisitions which have taken place against the backdrop of a bullish Paris Bourse, a strong Franc and relatively low French interest rates.

The same combination of favourable economic factors that helped Saint-Gobain to bid for Norton, is enabling the French agencies to move into other markets.

But the agencies are also expanding for defensive reasons.



Traditionally their priority has been to protect their position in the domestic market. Two agencies - Publicis and Havas (a subsidiary of Eurocom) - alone account for almost a third of all the money spent on advertising in France. Their competitors claim they owe their success to the support of sympathetic governments. They have 'encouraged' French companies to give their accounts to French agencies, Publicis and Havas say they succeeded by offering a better service than the Paris subsidiaries of the US and UK agencies.

Whatever the truth, the power of Publicis and Havas has helped to ensure that France - alongside Japan - is one of the few countries with a strong domestic advertising industry. The two set a precedent for the expansion of the younger French agencies: BSCG, FCB and TBWA, and later BDDP.

Whereas the advertising league tables in Italy and West Germany are full of US and UK names, France is unusual in that only one of the 'top five' agencies is not a French company.

But the US and UK agencies are starting to gain ground in France. The trend for multi-

national advertisers to consolidate their accounts into a handful of international networks means that - slowly, but steadily - the French agencies could lose business.

"We have more and more clients who operate globally and who need to deal with global agencies," says Maurice Lévy, chairman of Publicis. "The agencies that can offer a global service will be at a disadvantage in the future."

This problem is compounded by parallel pressures within France. The French advertising market enjoyed double digit growth throughout the 1980s fuelled partly by general economic expansion and partly by the deregulation of the television system - the privatisation of TFI and launch of new channels, like La Cinq - which created new opportunities for advertising.

But the market is now over-heating and is starting to slow down. Publicis forecasts growth of just 8 per cent this year.

Moreover, the profitability of the French agencies is under pressure because of the changes in the media buying system. The expansion of Carat, the specialist media buying business now owned by

Agis, has forced other agencies to pool their media resources. The agencies owned by British-based WPP and Omnicom of the US have formed The Media Partnership. Interpublic, the US group, and Publicis have founded Publi-média.

The smaller agencies have either been forced to join these big buying clubs, or they have lost the profitable media part of their businesses to specialists like Carat. If the French Government agrees to allow Carat to conduct Eurocom's media buying, the market will become even more concentrated and therefore more competitive.

This pressure on profitability is accelerating the French drive into other countries. The French agencies are expanding at a very vulnerable time for the US and UK agencies which are struggling with slow growth, sluggish stock markets and high interest rates.

They have the tactical advantages of a favourable financial climate and vulnerable targets, yet so far they have had limited success in their international ventures. Most of their deals have been small and the quality of some of their acquisitions has been dubious. They have also tended

to avoid outright acquisitions, in favour of a string of minority stakes and cross-shareholdings.

Publicis is probably the strongest French force on the international scene thanks to its liaison with FCB. But the FCB deal is a joint venture.

Similarly, Eurocom is involved in the HDM network, but only as a joint investor with Dentsu of Japan and Young & Rubicam of the US. It sees EWDB - in which it has a 60 per cent stake - as the focus for its international expansion.

However, the EWDB network is still patchy, and has yet to resolve its difficulties in the UK and the US.

Financial constraints have hampered the smaller agencies. BDDP has expanded at a frenetic pace, but by piecemeal purchases. It is now highly geared after the WRG deal and still weak in important markets, including the UK.

BSCG is still a minor player in UK advertising, in spite of staging three different acquisitions. It also has yet to establish a significant presence in the US. The only European countries where it has top ten agencies are France, Italy, Spain and Belgium.

Yet the French have succeeded in making their mark on the international scene. Jean-Claude Boulet, chairman of BDDP, says that only a few years ago his overtures to the UK agencies were greeted with ill-disguised contempt. BDDP's hostile bid for Boase Massim Pollitt, one of the largest London agencies, last summer was repulsed in a stream of xenophobic "Hop off you Frogs" rhetoric.

Times have changed. The slowdown in the UK market has put London agencies on the defensive. Boulet says he has received - and rebuffed - at least 10 acquisition proposals from the UK in the past six months.

As to the outlook for the French agencies, the optimists in French advertising claim that drive, determination and a favourable financial climate should be sufficient. The pessimists suspect that by incurring too much debt and issuing too many shares they may be making themselves vulnerable to future bids from the US and UK companies.

The French agencies are underestimating. "We are late, very late," says Alain de Poudinec, the Larousse-reading chairman of Eurocom. "But we have to become international and there is just enough time for us to do it. If we move quickly."

## US cereal market

## Corn flakes feel the bite of the Mutant Ninja Turtles

Frank Lipsius reports on the rising power of kids consumerism

"SOMETHING WEIRD'S going on," goes the theme song of the extremely popular Ghostbusters film, which in America has spawned an hour-long, Saturday-morning kiddie cartoon. Along with the cartoon, there is now a Ghostbusters cereal. The box sports a hologram showing the friendly ghost Slimmer hovering over a breakfast table and pouring cereal. Is it kitsch or a subliminal message?

What is certainly weird is the manner of moves being made to dislodge the main cereal brands. The assaults are worthy of the contentious cartoon shows that sport battling adversaries.

For the first time in years, Kellogg Co., which commands 50 per cent of the prepared cereal market outside the US, has fallen below 40 per cent of the \$6.8bn domestic market. Attacking it from two sides are General Mills, with successful promotions for oat-brand products for the health-conscious crowd, and Ralston Purina, which makes Ghostbusters and other new kiddie brands.

The cereal wars being fought daily on the supermarket shelves highlight the manufacturers' discovery of a new clientele - the kids themselves. Cereal companies, following the footsteps of hamburger purveyors McDonald's, have finally caught on to the power of kid consumerism.

Ralston Purina plunged into the kiddie cereal five years ago with Cabbage Patch Kids cereal, which lasted a year and a half. The company once had stellar brands in Rice Chex and Wheat Chex, but those old standards failed to make the leap of popularity to the 1990s.

It now relies on kiddie brands more than other cereal manufacturers with a current line-up that includes Ghostbusters, Teenage Mutant Ninja Turtles, Nintendo and Breakfast with Barbie.

But the cereal shelves are laden with gimmicks like the hologram and the Batman play bank given away with that recent brand. Health claims, the backbone of advertising to older audiences, are even made for the kiddie brands. On the box, Breakfast with Barbie compares its sugar content to

yellow and orange, irradiating the smell of sweet excess.

Ralston Purina spokesman Pat Farrell admits that some lines, like Donkey Kong, may last only a year, but they can be very successful for that year.

The company's licensing agreements allow it a profit on even a short and expensively promoted run. Most licensed products are not intended to last longer than the popularity of the named character.

You might have thought that the people guarding the image of Batman, or even the Ghostbusters, would want to refrain from exploitation through



breakfast cereals. The all-out licensing push is a recent phenomenon associated with American corporations' short-term orientation.

But the contents of the boxes can disappoint youngsters. The four-year-old in our house has hardly picked up a Ghostbuster character since he tried, only once, the oversweet rice nuggets (except for the day we ran out of Cheerios). Now he'll play only with Teenage Mutant Ninja Turtles, to preserve his taste for those dolls. I refuse to give in to demands for the cereal.

The cereal shelves are laden with gimmicks like the hologram and the Batman play bank given away with that recent brand. Health claims, the backbone of advertising to older audiences, are even made for the kiddie brands. On the box, Breakfast with Barbie compares its sugar content to

five other "kid cereals." Barbie has "only" 10 grams of sugar per serving, compared to 12 for Fruity Pebbles and 17 for Fruity Marshmallow Krispies. (Cheerios has 2 grams.)

An old-time favourite, Sugar Pops, went so far as changing its name to a name change to Corn Pops to avoid offence.

The lack of sugar is the only claim that can be made for the kids' cereals, compared to the craze for oats and bran being propagated among the old. General Mills took the lead in promoting health claims because its Cheerios, as the box proclaims, has "for nearly 50 years, been an excellent source of oat bran."

The oat-bran craze began with scientific reports that it reduces blood-cholesterol levels. A subsequent study, which was partially funded by Quaker Oats Co., America's porridge maker, appeared in the Journal of the American Dietetic Association contending that the healthiest aspect of bran was filling people up so they had no room for cholesterol-rich food.

Between health and kiddie brands, there are now 270 cereals in a market that has been growing a robust 3 to 5 per cent a year. Value Line analyst Stephen E. Grant notes that companies in the field, which include Kellogg Co. and General Mills, "trade at about a 20 per cent premium to the market price/earnings multiple" in this "high-margin, oligopolistic grocery category."

However, a survey by the Roper Organization revealed that consumers find the choice confusing. "There are altogether too many and the last thing they needed was a new brand," the survey showed.

The kiddie brands may be short-lived, but the phenomenon will endure as long as children make family consuming decisions, as they increasingly do.

For the cereal companies, the kiddie brands break the stronghold of the familiar types that show the contents of the package on the box. Ralston Purina has cereals waiting for new characters to attach them to.

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**NOTICE OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS**

The Annual General Meeting of shareholders of NIPPON WARRANT FUND, SICAV will be held at the registered office in Luxembourg, 14, rue Aldringen, on Friday, 6th July, 1990 at 11.00 a.m. with the following agenda:

1. To hear and accept: a) the Management Report of the Directors, b) the Report of the Auditor.
2. To approve the Statement of Net Assets and the Statement of Operations as at 31st March 1990.
3. To discharge the Directors and the Auditor with respect to their performance of duties during the year ended 31st March, 1990.
4. To elect the Directors to serve until the next Annual General Meeting of shareholders.
5. To elect the Auditor to serve until the next Annual General Meeting of shareholders.
6. Any other business.

The shareholders are advised that no quorum for the statutory general meeting is required and that decisions will be taken by the majority of the shares present or represented at the meeting.

A member entitled to attend and vote is entitled to appoint one or more proxies to attend and on a poll vote instead of him. A proxy need not also be a member of the Corporation.

To attend this Annual General Meeting of shareholders of 6th July, 1990 owners of shares should have their names recorded in the company's register of shareholders two working days prior to the Meeting and owners of bearer shares will have to deposit their shares two clear days before the Meeting with the following bank who is authorized to receive the shares on deposit:

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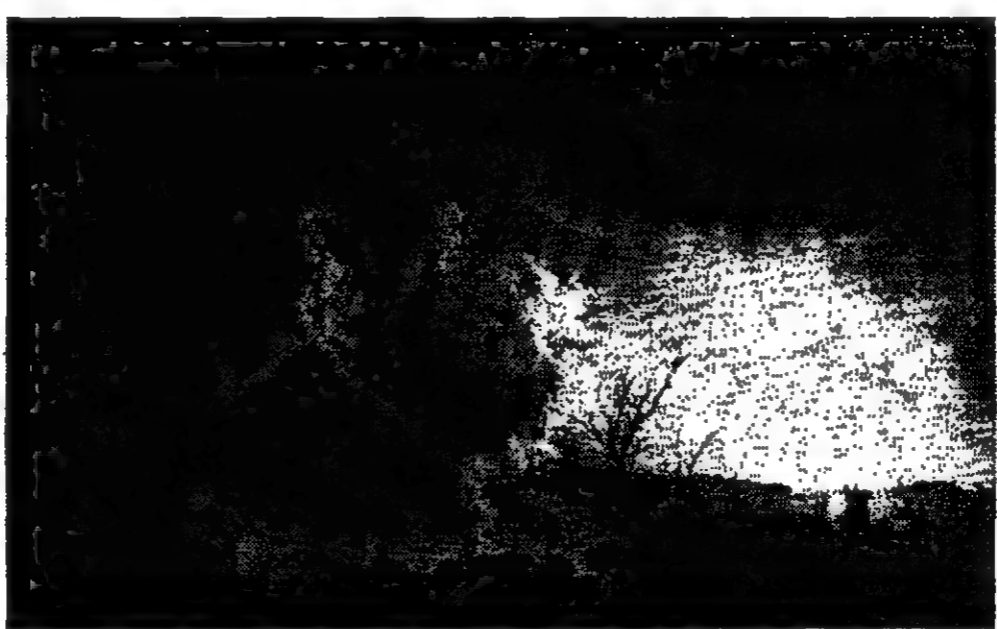
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## Barbarism beyond blitzes and battlefields

**Susan Moore**



## FINANCIAL TIMES

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Thursday June 28 1990

Mr Bush's  
lips move

PRESIDENT GEORGE BUSH'S carefully-worded statement of the obvious took some political courage, and means that his Budget summit can at last get down to serious business.

Six weeks have been spent in political sparring. Mr Bush had said at the outset that the talks on reducing the rapidly widening US fiscal deficit should have an open agenda, but his right wing, including his own chief of staff, Governor General, tried to argue that this was still consistent with his no-new-taxes pledge; the Democrats naturally suspected a trap. A White House budget proposal last week which made no mention of taxes deepened this suspicion: any tax increases in a bipartisan proposal would be blamed on them.

Now the President has taken the initiative publicly, and pledged his leadership to getting a solution accepted. Some Republicans are still arguing that the statement concedes nothing that was not implicit in the summit initiative. Logically, this is correct; but the open rage of the right wing against the political judgement of the Democratic leader, Senator George Mitchell: this was a significant event.

The Democrats are satisfied, and will now be pressing for a quick agreement. They would like to see the budget deficit on display before the mid-term elections in November, and thus finally rob the Republicans of the tax issue. What remains to be seen is whether there is now a consensus for a serious debate on the deficit, or whether this is 1987 all over again.

## Moving the goalposts

Three years ago a Budget summit produced some cuts; but the main result was to get bipartisan support for an evasion - the Gramm-Rudman "fix" which moved the fiscal goalposts, and allowed extra time to balance the budget. They will be moved again, for nobody now expects the 1991 deficit to be the \$46bn laid down in the law as it stands; it is the balance between present and future pain which is in question.

The arguments for evasion are quite persuasive. The US economy is still growing, but it is not robust. Consumer

demand is sluggish, lending institutions are running scared, the construction industry is facing its worst recession for eight years, and defence contracts are drying up in regional economies. Exports and investment are growing, but not strongly enough to offset these deflationary forces.

## Growth threatened

Further, it is true that the savings and loan bail-out, which is a main item in the spending over-shoot, represents expenditures which do not need to be offset by taxes, but are simply book-keeping transactions to fill a threatening financial black hole. Academic economists - and some senior ex-officials - are already warning that a tight budget would probably guarantee a recession. That is the conventional wisdom, and indeed it is also the main argument against the whole Gramm-Rudman process. A slowing economy reduces revenue; but under the law, this must be met by deflating the economy further. On Keynesian, cyclically-corrected measures, US policy is already tight. Yet the President initiated the budget talks because he was convinced that the deficit was itself a threat to growth.

The bond markets, which have been under pressure by inflation trends, are now concerned mainly with the sheer weight of US Treasury issues in a tightening world market for long term finance. The Fed is accused of imposing a credit squeeze, but there is no doubt that it could probably not cut interest rates even if it wished.

The world market context both explains the paradox of trying to secure growth through fiscal tightening, and reduces any risk involved in cutting boldly. A cut in US domestic demand and dollar interest rates would revive US export growth through a cheaper dollar. It would reduce the US trade deficit and so reduce any risk involved in cutting boldly. A cut in US domestic demand and dollar interest rates would revive US export growth through a cheaper dollar. It would reduce the US trade deficit and so reduce any risk involved in cutting boldly.

The risk of a domestic recession remains, but it is probably unavoidable, for there is another lesson to be remembered from 1987: the stock market crash was largely provoked by nerves about fiscal evasion.

Subsidy rules  
in the EC

THE European Commission has ordered British Aerospace to repay £4.4m in illegal subsidies it received when it bought the Rover Group in 1988. This represents a victory for Sir Leon Brittan, the European Competition Commissioner, over more siren voices within the Commission who had argued that he should have pursued more vigorously the charge that the car manufacturer was sold at too low a price.

While BAO may wish to challenge the Commission's calculation of the sum to be repaid, the UK Government is likely to accept the decision. It will take great comfort from the Commission's implied finding that a reasonable purchase price was paid for Rover under the circumstances.

The difficulties involved in calculating the proper purchase price for Rover suggest the decision is a fair one. In this respect the real damage was done when the Government, in its haste to secure a quick sale of Rover, ignored the advice of Barings Brothers, its financial adviser, that it would not be possible to secure the best terms for British taxpayers without inviting competitive bids. A fair price cannot be achieved by giving one party monopoly negotiating rights. More important, as the Commission has discovered, it is extremely difficult to determine objectively what constitutes a fair price in the absence of competitive bids. While not going as far as to introduce rules to outlaw them, Sir Leon hinted yesterday that the Commission will take a dim view in future of any closed bids for state-owned industries.

## State subsidy

The problem of assessing a fair price combined with the difficulty of reopening an issue which the Commission had examined and finally approved during negotiations with the UK Government at the time of the sale, seems to have been enough to sway commission officials to Sir Leon's point of view.

The Rover affair, like the earlier decision involving Renault, again underlines the difficulty the Commission has in

calculating precise levels of state subsidy in situations where there are no other cases with which to draw a direct comparison. More broadly, like the Renault case, it illustrates the lack of any hard and fast rules in relation to state-owned industry by which governments can be held more objectively when they are acting as responsible shareholders and when they are subsidising illegally. The room for subjective assessment in this area is too wide. The Commission needs to provide more information to the member states about precisely what aids should be reported, what types of aid will be acceptable and the basis on which Commission decisions in this field are taken.

## Political pressures

The behind the scenes row that the Rover decision seems to have engendered within the Commission over the past week also serves to highlight the increasing extent to which political pressures are creeping into EC competition policy. This is very much to be regretted in that attempts to influence commission decisions along political lines run contrary to the principle of fair regulation.

This trend raises the spectre of a future and perhaps less robust Competition Commissioner being too easily to political pressure. It also undermines the whole rationale of giving the Commission autonomous competition powers in the first place, which was to make them independent of national political pressure. The Germans have maintained for some time that in order to curb anti-competitive political influence the regulation of competition should be taken out of the hands of the Commission and placed in those of an independent European institution similar to their own cartel office. The decisions of such a body would need to be judicially reviewable by the European Court, but the idea has merit. The inter-governmental conference on political union to be convened in Rome in December could provide the forum in which to explore the proposal further.

A mammoth 865-page study by Michael Porter of the Harvard Business School entitled *The Competitive Advantage of Nations* (published in the UK by Macmillan) has had a deservedly good reception. (Fortunately there is also a summary article under the same title in the Harvard Business Review of March 1990.)

Porter's basic belief is that "companies benefit from having strong domestic rivals, aggressive home-based suppliers and demanding local customers." A recurring device is the diamond-shaped diagram, reproduced here. This starts with factor endowments, such as supply of skilled labour or infrastructure. It then goes on to conditions in related and supplying industries; demand conditions; and firm strategy, structure and rivalry. The diamond is saved from banality by the content he puts into it from his case studies.

The category of "related and supporting industries" is subtle. Porter sees the roots of success in a challenging domestic environment and a network of suppliers, competitors and related higher education and research. His emphasis is on geographical clusters in much smaller areas than traditional states. His favourite example is ceramic tiles, where 60 per cent of world exports are supplied from an area in and around the small Italian town of Sassuolo in Emilia-Romagna.

As for demand conditions, it is not so much the size of the home market as its nature that matters, above all the presence of sophisticated and demanding buyers. Japan's tightly packed homes have spawned quiet air conditioning units; Denmark's environmentalism anti-pollution equipment. The US desire for convenience has encouraged fast food and credit cards. The British regard protected home markets as a recipe for decline.

Fierce local rivalry may be the most important aspect of the whole diamond. While international rivalries tend to be analysed in terms of local rivalries become intensely personal, but nonetheless beneficial. Contrary to the popular image of Japan Inc, there are 112 Japanese companies competing in machine tools and thrusting them into semi-conductors. Above all, "competing domestic rivals will keep each other honest in obtaining government support. Companies are less likely to get hooked on the narcotic of government contracts or creeping industrial protectionism."

Companies that have achieved industrial leadership employ strategies differing from each other in every respect. Nations tend to be competitive in industries from which they have emerged, which he calls "heroic industries". In Israel it is agriculture and defence; in Switzerland, banking and pharmaceuticals. In Italian light industries such as furniture or footwear, companies flourish in a "breath-taking flexibility". The German hierarchical system, by contrast, works best in industries such as optics, chemicals, or complicated machinery. The US does relatively well in new industries such as micro-technology or speciality electronics, where equity funding helps entry.

Porter's viewpoint is in some ways an economic version of

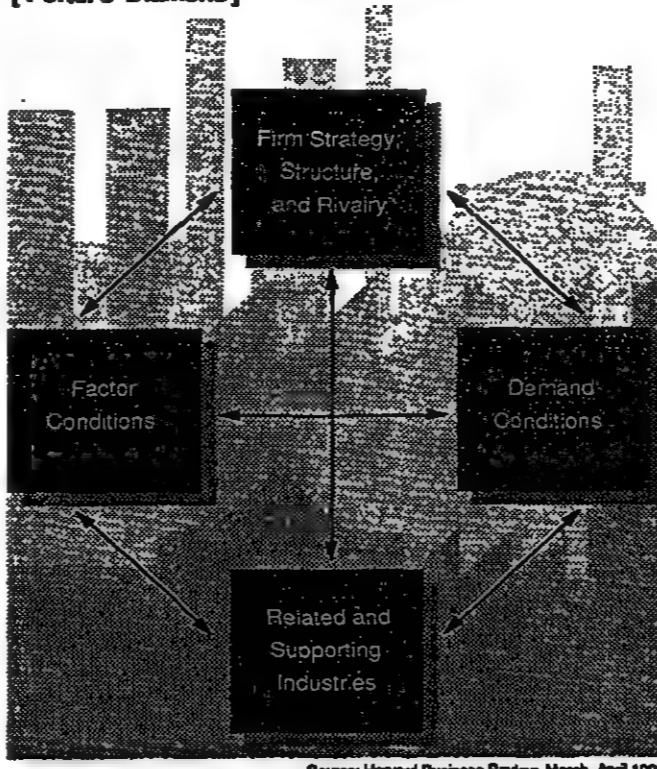
## ECONOMIC VIEWPOINT

Conditions  
of progress

By Samuel Brittan

## Determinants of industrial success

[Porter's Diamond]



Source: Harvard Business Review, March-April 1990

Arnold Toynbee's doctrine of challenge and response. Like Toynbee's it is more an explanatory framework than a deterministic theory. Its meaning emerges from what it contradicts.

For instance, Porter insists that the contemporary catchwords of "merger, alliance, strategic partnership, collaboration and supranational globalisation" are misguided. His fire is directed against the modification of the US anti-trust laws to allow such ventures. In Europe it is directed against mega-projects such as the information technology programme known as Esprit.

Porter states limited conditions under which co-operative research can be beneficial. It should be confined to basic products and processes. It should only be a modest proportion of a company's efforts, and should be channelled through independent organisations such as university centres. The most useful projects touch several industries requiring R and D investment.

The hankering of many

exponents of industrial strategy to embrace a "national champion" could not be more wrong. "Most national champions are uncompetitive, although heavily subsidised, and protected by their governments. In many of the prominent industries in which there is only one national rival, such as aerospace and telecommunications, government has played a large

role in distorting competition." Western proponents of industrial strategy have drawn the wrong lessons from the Japanese Ministry of International Trade and Industry. Japanese companies participate in MITI projects to maintain good relations with the government, and to hedge the risk that competitors can gain - defensive reasons. They rarely contribute to the best scientists to such co-operative ventures, and usually spend much more on their own private research.

The author's main interventionist idea is a tax incentive for long-term capital gains restricted to new investment in corporate equity. Much more typical remedies he espouses are deregulation and privatisation, combined with a strong, consistent anti-trust policy.

Despite all this admirable material, the very title of the book contains a flaw. For "competitiveness" applies as a general rule to companies or industries, not nations. An individual country can conceivably have a competitive advantage in international trade, which misses its key point: that a country can trade advantageously even if it is more efficient - or for that matter less efficient - than its partners in every product. Failure to see this lies behind the simple-minded complaints that southern or eastern Europe must catch up with the rest before the continent can become a single economic area.

Porter is well aware of the absurdity of the notion of an internationally competitive

nation. Is a competitive nation one whose exchange rate makes its prices temporarily low? Germany and Japan have enjoyed large rises in living standards despite the opposite phenomenon of appreciating currencies and periods of declining price competitiveness. Italy prospered despite a chronic trade deficit. India and Mexico have "competitively" low wages, but neither is an industrial model.

The author concludes that the principal economic goal of a nation is to produce a high and rising standard of living for its citizens; and a most important means is higher productivity. Nevertheless his book grew out of his work for President Reagan's Commission on International Competitiveness, and he feels obliged to provide countries with competitiveness ratings. These are based on the number of a country's industries which have increased their role in world markets.

Japan, Italy and South Korea were the nations seen as most clearly gaining market positions between 1976 and 1985. The US and Sweden were close to balance, although the author claims the fact that the US gained shares mainly in resource or commodity-based industries. The country with the worst balance of losers to gainers was of course the UK. ("The challenge of restarting the upgrading process in British manufacturing is palpable.") But the dunces' class also includes Switzerland and Germany; and indeed when the study was conducted Germany was regarded as a country with a strong currency but a tendency to over-inflate.

The possibility of a very different evaluation of the British case emerges from a study of UK manufacturing over 1979-1986 by J Haske and J Kay in the June Economic Outlook of the London Business School. These authors define competitive advantage as "rent per unit of input." Rent here is an economists' term which means value added less wage and capital costs. It is thus clearly related to gross profits. Haske and Kay conclude that UK competitive performance indeed improved. For in 1979 companies realised £1.18 for each £1 of inputs. After a dip in 1981 they were able to realise £1.23 in 1986, a rise of 12 per cent. This upgrading occurred during a period when manufacturing output fell.

Of the total increase in productivity over the period some 75 per cent was passed on to the customer in prices lower than they would otherwise have been, 14 per cent went to employees and 11 per cent was retained by firms themselves. It seems to me that the LBS authors are using "rents" as a proxy for efficiency, while Porter's view of efficiency is too influenced by the sheer size of industries, and countries' changing share in world trade.

Porter's book is also marred by an attack on the classical notion of international trade, which misses its key point: that a country can trade advantageously even if it is more efficient - or for that matter less efficient - than its partners in every product. Failure to see this lies behind the simple-minded complaints that southern or eastern Europe must catch up with the rest before the continent can become a single economic area.

## BOOK REVIEW

A snipe at two  
establishments

British/American relations are a maze in which it is easy to become lost. Christopher Hitchens is no exception in his new book, though his starting point is novel and his approach entertaining.

The very term "special relationship" - popularised by Winston Churchill in his Iron Curtain speech in 1946 to describe the close links between Britain and the US - now confuses more than it clarifies. Always used more in London than in Washington, the term mixes long-term ties of language, history and affection with short-term questions of political and economic national interests.

The danger with the designation "special" is that so much is expected; an allegedly unique closeness has repeatedly to be demonstrated. Every time President George Bush meets Mrs Margaret Thatcher, they are asked by British reporters, generally from the Tory tabloids, whether the "special relationship" is still strong. The question is as meaningless as the answers.

Christopher Hitchens implicitly accepts such a relationship while ridiculing it. He is in the tradition of talented left-wing British writers who achieve fame, and not a little notoriety, in the US via a combination of iconoclastic wit and radicalism seldom matched by their more leaden American counterparts. In this case he bites, or rather nibbles, at both the British and the American establishments.

His thesis is that the wily British have seduced and flattered Americans into initially sharing and then taking over their global responsibilities, in the process betraying the republican virtues of the US. Hitchens is most persuasive in describing the cultural links.

On the one hand, the British attempted from Rudyard Kipling onwards to enlist the US as a junior partner in the empire; the famous phrase "The White Man's Burden" is the title of a poem written in 1899 specifically addressed to Theodore Roosevelt and is about the US conquest of the Philippines. Winston Churchill similarly enlisted the other President Roosevelt in providing help for Britain in 1940.

Yet according to Hitchens, there has been a growing trend towards anglophobia in the US, as British power has declined. This started with a desire to emulate Britain and has developed into a sentimental affection for things British, notably the royal family.

But Hitchens's view patronises the US as much as did Harold Macmillan's famous remark during the Second World War: "We are the Greeks in this American Empire. You will find the Americans much as the Greeks found the Romans - great, big, vulgar, bustling people, more than a little stupid, but also more idle, with more unspooled virtues but also more corrupt." The US may have grown by

Blood, Class and Nostalgia. Anglo-American Ironies. By Christopher Hitchens

Farrar, Straus, and Giroux, \$22.95

fits and starts into a superpower, but its assumption of this role resulted from a conscious decision, not from a bout of anglophobia. The key moves, starting in 1947 with the Truman doctrine aimed at containing communism in Europe, were in response to the inability of financially-stretched Britain to sustain worldwide commitments. But they also represented an assertion of US interests by a far-sighted group of American policymakers around Dean Acheson.

The real problem for the British is that they often forget that the US is a foreign country. A shared language, hospitable American friends and superficial similarities mask fundamental differences. The US constitution, with its separation of powers and federal structure, was, after all, created as a reaction against the British system. The point was best put by (of all unlikely people) President Woodrow Wilson in London in 1918: "You must not speak of us who come over here as cousins, still less as brothers; we are neither."

The US pursues its own national interests largely unmoved by ties of affection. American officials had a long-standing anti-colonial suspicion of Britain until their own imperial fiasco in the Vietnam war.

President Reagan was a partial exception. His admiration for Mrs Thatcher, and his long-standing affection about the rest of Europe, gave her considerable access in Washington, creating illusions in London about the extent of British influence.

Under President Bush the balance has been redressed. No that his administration is in any sense anti-British; rather, the Bush team regards the UK as one of a number of sizeable European powers, but has its immediate focus, not surprisingly, on the relationship with Bonn.

Yet Britain remains a more important ally in Europe for the US than its economic position justifies. In part, this reflects close defence and intelligence links, which will continue as the US sharply reduces its forces in Germany.

But it is also because Britain has been a more reliable ally, pursuing a consistent policy (except during Suez and when Edward Heath was Prime Minister) of avoiding public disagreements with the US, whatever the private reservations. So while talk of a special relationship is now misleading, the British-American relationship is distinct and living, not a fading imperial echo, as Hitchens suggests.

Peter Riddell

Schools of  
kings

King Simeon of the Bulgarians came to see us yesterday. Clearly he has some hopes of returning to the throne on which he sat as a small boy for a few years in the mid-1940s. Equally the aim is to be a constitutional monarch - or "constitutional guarantor", as he puts it.

The model is Juan Carlos. "I grew up with him," Simeon says quietly. It was Juan Carlos who helped to preside over the transition of Spain from dictatorship to democracy. The Spanish king is due to visit Bulgaria early next year. "He will get an amazing welcome," according to Simeon.

Simeon knows a lot of other monarchs as well. He has recently seen Queen Elizabeth II, who is close to Juan Carlos and gave advice to him in the early days.

The royal connections spread beyond Europe. Simeon is an old friend of both King Hassan of Morocco and King Hussein of Jordan. He was at school with the latter - not at Harrow, where Hussein went later - but at Victoria College, Alexandria.

Simeon's own further education included a spell at Valley Forge Military Academy in Pennsylvania where he entered as Cadet Ryski and emerged as a 2nd Lieutenant. Nowadays he looks like an artist and talks like a liberal capitalist.

What he wants for Bulgaria, he says, is not so much a Marshall Plan as a transfer of technology. He tries to keep his profile as low as possible. He is not even listed in the International Who's Who. He says that he has assured all the Bulgarian authorities that he will not try anything on - mount a coup or anything like that. Even Juan Carlos, he notes, kept on good terms with the leadership of the national Communist Party.

Simeon also says that is "fairly Russophile." (Bulgaria

has never had the problems with Russia and the Soviet Union that have plagued most of the other eastern countries.) There was a great deal more besides: all in all, we were much impressed.

## Mrs Robinson

Here's to you Mrs Robinson! That is Linda Robinson, the public relations mogul and wife of Jim Robinson, chairman of American Express.

For it is Mrs R who appears to be a key beneficiary of a \$2.6m severance and \$7.5m stock option pact for Peter Cohen, the former chairman of American Express's Shearson Lehman.

The lawyers for American Express, which owns the troubled Shearson, have persuaded Cohen to sign a series of unusual documents in which he agrees not to bring a lawsuit against executives of American Express and Shearson - and their families.

This is understood on Wall Street to be a fairly clear reference to Mrs Robinson. Cohen, who was forced out in January, had crossed swords with her over the \$25bn buyout of RJR Nabisco. There had been talk of legal action.

## Smith's day

The bicentenary commemoration of the death of Adam Smith got off to an unexpectedly intimate start in a very humid Edinburgh.

To begin with, the Wealth of Nations 1990 conference was all too much for John Gutfreund, chairman of Solomon Brothers, the bank where his traders are supposed to be "ready to lift the ass off a bear" when they come to work.

It could have been the dim lighting and close atmosphere of the historic Lyceum Theatre which inspired Gutfreund to

## OBSERVER



"The President's lips were all I liked about him."

make an impromptu departure from the prepared text of his keynote address to economists, businessmen and politicians from all over the world. However, no-one was heard complaining over the excellent shorthand in the coffee break afterwards.

Gutfreund's detailed account of a cycling holiday in England and Scotland in 1948, with a male friend - showing total recall of sporting visits to Wimbledon and Wembley - was, after all, not included in the conference price: £1,750.

Denis Healey also spoke with feeling, though without Gutfreund's nostalgia. He made several game references to the works of Adam Smith in his speech about a stable Europe, but could not resist a jibe about the poll tax, of which he said Smith, like most of his countrymen, was a root and branch opposer.

And despite the excellence of the hand-made conference shorthand, Healey caused the audience some bewilderment with his final remark, (borrowed from an American): "England is the only country I know where the sex is safer

than the food." "You might have the chance to discover this later in the week," he added cryptically.

## Invisible

We have been trying on and off over the past few days to discover whether Adam Smith ever made a joke. And although there is a whole book called The Wisdom of Adam Smith and subtitled "A collection of his most incisive and eloquent observations," the jokes remain as invisible as the famous hand. A suitable reward will be sent to anyone who proves us wrong.

## Japanese gold

The Japanese effect on the gold market may be bigger than we first thought. Not only have they long eaten gold on their sushi and drunk it in their sake; now they are going to smear it on their faces.

Kanebo, a leading cosmetics company, is launching a line of eye-shadows, face creams and nail polishes all containing flecks of pure gold. The make-up is designed to go with gold jewellery and clothes, says the company.

Kanebo claims that Japanese have developed a taste for "real" things, including real gold jewellery. The target buyers are young women.

## Centipede

Having soundly beaten the animals, the insects troop off the pitch to celebrate. Spider finds the star player Earwig (who for reasons of superstition always wears the number eight) crying in the corner. Earwig says that while Centipede scored a record 60 goals, it was he who had been the architect of the victory and this would never be recognised. "Oh yes it will," said Spider. "Listen to the crowd." And sure enough they were singing: "Earwig-O, Earwig-O, Earwig-O..."

## BUSINESS

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# Donald is Trumped with his own petard

Alan Friedman on the all-American morality tale of a New York real estate developer

property developer, who seems at times to have exerted as powerful a pull on his creditors as he did on the US media.

Bankers were so desperate to make real estate loans in the 1980s that otherwise prudent loan officers persuaded themselves that putting Mr Trump's name on buildings could somehow enhance their intrinsic value. And for a brief spell, this may even have been true.

Some US commentators have tried to liken Mr Trump to a

of interest payments on about \$300m of his bank debt in exchange for second liens on properties. The bail-out will also allow the banks to appoint a chief financial officer, reorganise the holdings and proceed with an orderly disposal of several assets.

Among the pieces of Mr Trump's empire likely to go first are his 72-acre parcel of land on Manhattan's Upper West Side, which has \$300m of debt attached to it; the Trump

the bit to get out there and say something in public all along. We've had to really restrain him to keep him from looking like a fool by announcing he's back on top before the debt talks are over," complained another Trump banker the other day.

Sure enough, when his rescue package was eventually complete on Tuesday evening Mr Trump put out a statement in which he sounded more like an Academy Award winner

consolidated overview of the Trump Organisation, which has estimated annual revenues of about \$1.1bn.

How did the banks allow matters to get so out of control? One answer is to be found in Mr Trump's own words. On page 13 of his 1987 bestseller (TRUMP: The Art of the Deal), he recounts a typical Tuesday morning. The entry for 11am reports: "I meet with a top New York banker at my office. He's come to try to solicit business, and we have a general talk about deals I'm considering. It's funny what's happened: bankers now come to me, to ask if I might be interested in borrowing their money."

To some foreigners the most striking feature of the affair is the speed of Mr Trump's fall from grace. Yet this is America, where it is still possible to come from nowhere, establish a nationwide presence through force of ego, and eventually slip back into oblivion.

At an East Side dining party this week some of Manhattan's most influential bankers and lawyers rolled their eyes at the mere mention of Mr Trump. One old hand made the now socially requisite joke about his wife Ivana (she could have taken the money when she could), and then mumbled about how Wall Street and real estate developers may find in the 1990s that they will have to make money the old-fashioned way again.

Two years ago Mr Trump was hounded by autograph seekers while attending the US Tennis Open. He proceeded to pull dollar bills out of his pocket, sign them and give them away. Now he is the object of more Schadenfreude than anyone might imagine unless they live in the United States. But his fall is probably more than just a media event or a symptom of lowered financial expectations in the 1990s; it is an expiation for a nation that is beginning to realise that some of its best-known 1980s business heroes were either liable to end up in jail - as Le Rousky and Milken - or had feet of clay.

As for the man now known universally by the nickname given him by his wife - "The Donald" - he will still be a one-man spectacle, make plenty of noise, claim he is back from the dead and probably go on television chat shows this autumn to promote his new book, which is tentatively entitled TRUMP: Surviving at the Top. Mr Trump and his editors are rumoured to have agreed that a medium of rewriting may be in order.

## Doonesbury



BY GARRY TRUDEAU

Latin American sovereign debtor on the verge of default ("Donald Trump is Argentina," said one). They are taking him far too seriously. In the larger scheme of things, Mr Trump is not Argentina; he is a relatively minor real estate hustler - albeit one whose buildings are all named after him - whose downfall will not bring down any important financial institutions.

Soon Mr Trump will be walking (or flying) about New York on a strict monthly personal spending allowance of \$450,000. Imposed by his bank creditors. This is an undeniable cut from the average \$600,000 a month he is estimated to have been spending of late, and is set to fall further to \$375,000 a month next year and \$300,000 the year after. To cover this, he will have to submit receipted expenditure accounts to the banks. "You can call it a level," said one banker. The emergency financial package that has emerged in recent days is thus more a recognition than a new lease on life. It will give him an emergency \$20m bridge loan for 30 days, then a \$65m rescue package and a two-year suspension

Shuttle (although there are no buyers so far) the Plaza Hotel, the landmark hotel on the southern edge of Central Park (like other Trump assets, said to be worth less than its debt burden); the Trump yacht and the personal jet.

"This rescue deal is really a slow-motion bankruptcy in disguise, but it saves us time and the expense of bankruptcy lawyers and court proceedings," explained one Trump banker, who, like others involved, asked to remain anonymous. But the inevitable Mr Trump will inevitably try and present events in his own light.

"He has been chomping at

then a real estate developer who had only narrowly averted bankruptcy. "I want to thank all of my banks and lending institutions for making this complex and technical agreement possible," he intoned.

The parlous financial situation that first caused Mr Trump to default two weeks ago on \$75m of interest payments on bank loans and casino bonds is partly the result of the real estate downturn and partly the result of Mr Trump's ability to spread his borrowings among seven main banks and 57 syndicate members. Until recently, none of the bankers had even seen a

DEBT AND ASSET BREAKDOWN*		
	Estimated Market Value \$m	Debt*
Trump Plaza Casino	273.4	250+
Trump's Casino	155.1	300
Trump Taj Mahal	728	---
Grand Hyatt (50% stake)	115	250-300
Trump Shuttle	400	400
Trump Shuttle	400	275-300
Alexanders (50% stake)	64	54
Upper West Side land	200	150+
Trump Tower (retail space and offices)	75	150

\*Figures are estimates based on SEC filings and bank and analyst reports. This is not a comprehensive list of assets and liabilities. The figures are in millions of dollars. The debt figures are in millions of dollars. The figures are in millions of dollars.

## German unification

# National mind in a state of muddle

By Carl-Christoph Schweitzer

The outside world should feel sorry for the Germans instead of fearing them. Why? Because many in the east and west of the formerly united Germany seem to have forgotten what it is to be a one-nation state.

Some of Germany's neighbours in eastern and western Europe - or at least their governments - are pretending to be nervous in the face of a new Germany with 80m people. They are pondering safeguards of all sorts within and without Nato to prevent any new all-German yearning for supremacy in Europe. It would be better for Germany's neighbours to reflect on this: that 40 years of communist rule in the east, and of capitalism in the west, have damaged a healthy national feeling of "belonging together."

Such a new sense of emotional togetherness did come fleetingly to the surface last November, when tens of thousands of East Germans managed to get to the west via Hungary and when East Germans staged the first successful democratic revolution in German history.

The picture which emerges is of an extraordinary split in public opinion. While in April 1990, 80 per cent of West Germans in principle favoured unification, only 25 per cent of them were prepared to accept (in the words of the opinion poll question) "inroads into their living standards for the sake of achieving that goal."

By contrast, people in East Germany, while continuing to demand "one Germany", are voicing anxiety of all sorts - increasingly as the turning point of monetary, fiscal and social union on July 1 draws close.

What do such figures demonstrate in political terms? One has to differentiate between the age groups. The generation of "grandparents" of today, those over 60, has a much stronger sense of German togetherness, for the obvious reason that at least the older members have some memories of a united country. The "parent generation" - roughly between 35 and 55 - seems to be far more detached about an all-German future.

The gulf is symbolised by the differences between Mr Oskar Lafontaine, the Social Democrat candidate for the Chancellorship, and his former political "tutor", Mr Willy Brandt. For Mr Lafontaine, the prospect of having to govern a united Germany is, at least emotionally, not welcome; while for Mr Brandt, reunification is the one thing he yearns to see completed in his lifetime.

As for many of the young generation, above all the millions of students in West Germany's universities, the whole issue does not seem to matter very much. As a university professor, I have been able to observe young West German academics at close range for 30 years. The pattern has not changed much since the end of the 1950s. While students demonstrated time and again en masse for human rights in South Africa or Chile, there was not a single demonstration worth recording after the building of the Wall in 1961 against the shoot-on-sight regime of East Germany.

There are many explanations for this sorry state of affairs. The ever-present memory of Nazi crimes seems to have wiped out the distinction natural to other peoples and nations - between a national-minded feeling on the one hand, and a national-chauvinistic one on the other. Added to this was a typical German grain of national masochism, especially prevalent in Protestant church circles, to the effect that, because of Hitler, the Germans forfeited a fundamental right to national statehood.

The positive side of this is that West Germans throughout

the past 40 years have been more or less ardently in favour of progressively surrendering national sovereignty to a kind of United States of Europe.

So the German national mind is clearly muddled. No less a statesman than Bismarck - who looked upon himself as a Prussian first and foremost - once said that the Germans needed a monarch as a "Hutständer" on which they could deposit their various regional hats, to make them feel "all-German". Would a queen do the trick for the Germans, with or without the trooping the colour ceremony? I doubt it, because you can recover neither colours nor monarchies once such symbols have been smashed.

What about the French? They had their revolution in 1789, smashing everything. After that came an emperor, then other dynasties and finally the republic, the fifth and present one, characteristically, with a semi-cant at the top. With their 14 per cent-plus in favour of Le Pen, the French seem a much greater chauvinistic danger today than anything on offer in East or West Germany.

Whatever Clio, the goddess of history, holds in store for the Germans and their fellow Europeans at the end of the millennium, one thing is clear. The Germans are and will remain for the foreseeable future entrenched on the side of the west, standing for western democratic values. The Germans, incidentally, helped forge these values in former centuries of their own history - a fact often overlooked both within and outside Germany.

To conjure up a new version of the Third Reich is nonsensical shadow boxing. Rather than worrying about this, Germany's neighbours should be more sympathetic to the idea of Germans developing normal national feelings. Otherwise, the Germans will remain a sorry lot, in spite of their economic power and glory.

The author spent the war years in Britain as a refugee from the Nazis. A former Social Democrat deputy, he has been professor of political science in Berlin and Bonn since 1963.

## LETTERS

### Nationalism may ride on

From Mr Doug Hemmood.  
Sir, Ian Davidson's introduction to your survey of France (June 26) was literate and thoughtful. But I finished reading it a little more confused than when I began.

Until recently, according to Mr Davidson, France was a fairly happy country, but now it finds itself in a funk. The reason, he suggests, is that the centralist-Jacobin model is under challenge from the completion of the European market in 1992, and the larger world market.

If a good deal of France's long-term success is the result of that (now discredited) model - a proposition it would be hard to argue with - then what are the charms of economic integration if they bring social malaise, even nationalism, in their wake? Are these charms so self-evident to Mr Davidson and the "over-educated elite" which runs France that there is no need to rehearse them for the FT's sophisticated audience?

The lesson of the Soviet Union and eastern Europe, where the forced adherence to a single plan has ultimately given rise to a host of local nationalisms, seem lost on the business and political strata of the OECD countries, which ignore the sentiments of those unfortunate left behind in the drive towards a single world market. As European integration proceeds, we may see more, not less, of what Ian Davidson calls the "transitional" stresses of Le Penism.

Doug Hemmood,  
Left Business Observer,  
250 West 85th Street,  
New York City, USA

### Strategic contradiction

From Mr Nigel Evans.  
Sir, It is possible to explain why, when South Africa embarks on internal reforms, the European Community feels that the stick is the best method of encouragement - yet when the Soviet Union initiates reform the EC wants to offer a carrot.

Why this apparent difference in strategy?  
Nigel Evans,  
5 Craiglady Square,  
Cockfield,  
Surrey, Wales

### Measuring retail property values

From Mr Russell Schiller.

Sir, Maggie Urry's story (June 23) covers our report to the effect that retail property values had fallen by 13 per cent in the year to May 1990. On the same day your property column carries a table by the Investment Property Database (IPD) showing changes in retail values of only minus 1.4 per cent. It would be understandable if some of your readers felt confused.

My guess is that most people in the property market believe that minus 13 per cent is nearer reality than minus 1 per

cent. Let me try to explain.

The IPD index is based on a large sample of actual properties held in portfolios. There are a number of property indices measured in this way. The method is comparable to that used to measure equities and gilt.

In practice, however, portfolio-based indices tend to smooth out fluctuations in the market, and also to lag behind them. I should not be surprised if IPD showed big falls in retail values in the coming months.

Our organisation, along with some of our competitors, measures the market using open market values. This method does not allow for the real world peculiarities of property (depreciation, complex tenure and other idiosyncrasies), but it does give a reasonable approximation to what is actually happening in the market.

When values are moving slowly, the difference between the two methods matters little. But when the market is moving fast, as now, IPD's portfolio method can be misleading.

Russell Schiller,  
Ellier Parker May & Standon,  
77 Grosvenor Street, W1

### Profits versus capital in UK company payouts

From Mr Roy Colbran.

Sir, Lex (June 25) comments on the tendency of UK companies to pay high dividends. It seems often to be overlooked that the UK tax system actually offers a strong incentive towards maximum distribution.

Many shareholders are pension funds or other institutions with some degree of tax exemption.

Advantage corporation tax on distributed profits may be reclaimed by them; the equivalent amount cannot be recovered from the Inland Revenue if the profits are retained in the business.

In a different way, the private investor can also suffer extra tax from retention of profits.

Keeping taxed profits in the

business should add in due course to capital growth, enhancing the share value. So the benefit of these profits will be taxed again as capital gains, when they emerge on eventual sale of the shares.

Tax neutrality is still a long way off.

Roy Colbran,  
6 Rammore Avenue,  
Croydon, Surrey

### Too hard a line to follow any longer

From Mr John Bruce Lockhart.

Sir, The shape of the House of Commons has dominated British politics since the early 1920s. That corridor down the middle of the Chamber has denied any hope of power to any third party.

At its simplest, a third party has nowhere to sit. This has been so since the Labour Party won 142 seats in 1923 and became recognised as the "loyal Opposition."

The two-party system worked well enough when aristocratic Whigs quoted Latin tags on one side, and land-owning Tory squires sat or slept

long past; and we are cursed by Churchill's decision to rebuild the House of Commons exactly as it was after its bombing by German action in the Second World War.

Today the Labour party, in opposition for a decade, includes able and patriotic members of Parliament. Yet they have had to devote their parliamentary time not to the promotion of British interests, but to the pursuit of power through votes. That corridor down the middle of the Chamber forces them publicly to denigrate all government policies, and apparently to rejoice in British misfortunes.

This makes a depressing spectacle for the public - and must be slow spiritual death for those who have to participate in it.

The old accepted wisdom is that two parties, directly facing each other, leads to strong government. This is no longer true.

Maybe the answer is a strong "cross bench," maybe a semi-circular House of Commons, maybe some form of proportional representation, maybe government by coalition. But the corridor must go.

John Bruce Lockhart,  
37 Fair Meadows,  
Rye, East Sussex

### 'Mr de Klerk needs support, not stick'

From Mr J.P. McDonagh.

Sir, As if the declining gold price were not inflicting sufficient woes on the South African economy, at \$340 or some R500 an ounce, a score of South African gold producers have already become non-viable. The European Parliament has now voted by a majority of 177 to 47 (with five abstentions) to prolong economic sanctions against SA.

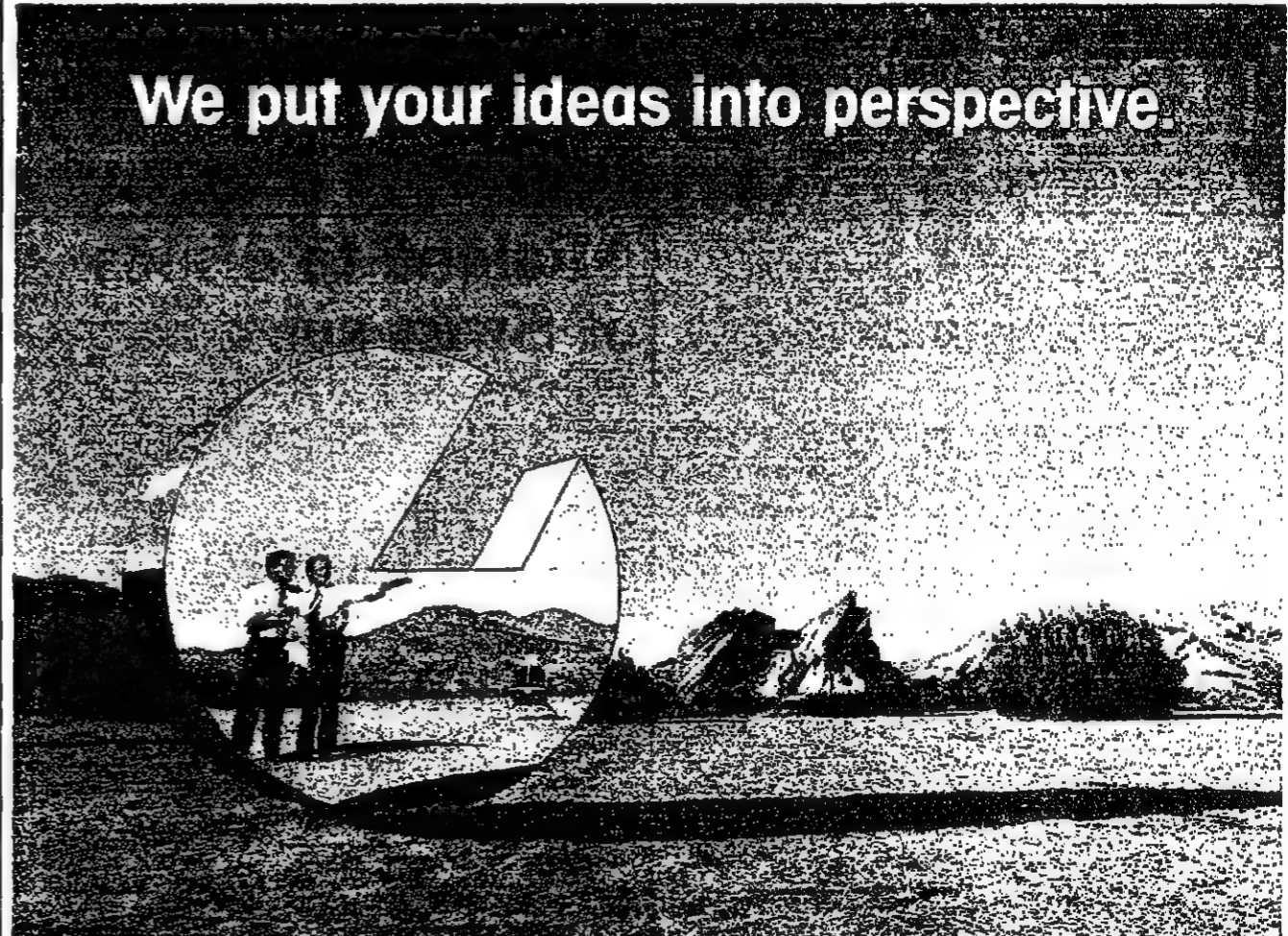
It was predictable that the European left would outnumber and outweigh the Euro-

pean conservative right. But what do European socialists find so alluring about the track record of the African countries to the north, that these voices seek to destroy, or at least undermine, the power-house of South Africa - one of the very few countries on the African continent that enjoys a sophisticated infrastructure and "first world" management and continues to meet its foreign obligations?

Are people on the European left so bigoted as to be unable

to perceive that by heaping these coals of fire on South African heads they are exposing the liberalising policies of Mr de Klerk, the South African President - to which measures he is irrevocably committed - to exacerbated attacks from radicals of both right and left? What Mr de Klerk needs now is European support, not stick.

J.P. McDonagh,  
PO Box 65153, Broomers,  
2010 Transvaal,  
South Africa



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## SCA MEETING OF SHAREHOLDERS

Shareholders of Svenska Cellulosa Aktiebolaget SCA are hereby summoned to an extraordinary meeting of shareholders to be held at SCA's headquarters, Skepparplatsen 1, Sundsvall, on Thursday, July 12, 1990 at 4:30 p.m.

The reason for the meeting is the tender offer SCA through a wholly owned subsidiary has made to the shareholders of the British company Roadpack Limited.

### AGENDA

1. Election of meeting chairman
2. Preparation and approval of list of voters
3. Election of two minutes-checkers who, with the chairman, will verify the minutes taken at the meeting
4. Determining whether the meeting was validly convened
5. The board's proposal to amend section 6 of the articles of association, in part to adapt the restriction on foreign ownership in section 6 of the articles of association to the provisions on this in the law (1982:617) on foreign acquisitions of Swedish corporations, etc., and in part to increase the upper limitation on the percentage of the share capital consisting of free stock from the present limit of less than 40 percent to less than 41 percent.

The initial conversion rate is at SEK 165.30, for which a fixed translation rate of GBP 1 = SEK 10.5825 shall be used.

The board's complete decision concerning the debt offering as well as the other reports and statements, etc., prescribed by Chapter 4 Section 4 of the Companies Act will be available for inspection beginning on July 4, 1990 at SCA's headquarters and will be sent to shareholders who so desire.

### NOTICE OF INTENTION TO ATTEND, ETC.

Shareholders intending to participate at the meeting must be listed in the register of shareholders maintained by the Swedish Securities Register Centre (VPC) no later than on Monday, July 2, 1990 and notify SCA no later than 4 p.m. on Monday, July 9, 1990 either by mail to SCA at S-851 88 Sundsvall, or by phone at +46 60-19 30 00 or 19 31 14.

The notice should contain the name of the shareholder, social security or organization number, and address and telephone number.

To participate at the meeting, shareholders whose shares are held in trust by banks or stockbrokers must re-register the stock in their own names at VPC by no later than Monday, July 2, 1990. Such re-registrations, which can be temporary, should be requested of the trustee well in advance of this date.

Persons intending to act as proxies on behalf of shareholders will be required to produce a written and dated power of attorney. Any such power of attorney can be valid for no longer than one year from the date of issuance.

Sundsvall, June 1990  
The Board of Directors



## RICHEMONT

Compagnie Financière Richemont AG, Zug, Switzerland

### Consolidated results for the year ended March 31, 1990

The Board of Directors of Compagnie Financière Richemont AG is pleased to report the consolidated results of the group for the year ended March 31, 1990.

	1990	1989
Gross sales revenue	£5,905.3 m	£4,784.1 m
Net sales revenue	£2,861.5 m	£2,367.0 m
Profit before tax	£580.4 m	£467.5 m
Net profit attributable to unitholders	£146.3 m	£106.5 m
Earnings per unit	£254.70	£185.40
Dividend per unit	£41.25	£33.75
Unitholders' funds	£977.0 m	£828.5 m
Net assets per unit	£1,701.50	£1,442.80

The consolidated financial statements of Richemont include the results of its subsidiary undertakings for the full year. Majority control of Richemont International p.l.c. was acquired in December 1989 and appropriate deductions have been made to reflect the effective date of the acquisition. The 1989 results have been restated on the same basis for ease of comparison.

During the year under review, Richemont achieved good results. The Board of Directors is pleased to announce that the dividend to be paid to unitholders in respect of the year will be £41.25 per unit.

Richemont exercises financial and operational control over subsidiaries in the fields of luxury goods and tobacco products. Its principal manufacturing operations are located in the European Economic Community and in Switzerland. Its products are sold in more than 150 countries throughout the world.

Copies of the annual report can be obtained from the company secretary at the addresses listed below:

Compagnie Financière Richemont AG Weinbergstrasse 5 6300 Zug, Switzerland Telephone: (042) 21 03 64 Telefax: (042) 21 71 02	Richemont International Limited 17 Hill Street London W1X 7FB, England Telephone: (071) 499 2539 Telefax: (071) 491 0524
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## Stora sees savings from Feldmühle takeover

By Maggie Urry

STORA, the Swedish forest products group which is in the process of taking over Feldmühle of West Germany, will make savings of at least SKr670m (\$110m) a year by combining the two companies, said Mr Bo Berggren, president and chief executive officer, at a meeting of institutional investors in London yesterday.

The combination would make the third largest pulp and paper group in the world and the only European group in the top 10, he said. Benefits of the DM4bn (\$2.39bn) deal, still being examined by the German cartel authorities, would include securing raw material supplies, enabling more efficient and better planned production and savings through co-ordinating the capital expenditure programmes of the two. These benefits would not appear straight away, he warned, but said that in previous deals the group had generally underestimated the gains that could be made.

Mr Berggren said putting the two companies together would balance their supply and demand for pulp. Stora was a substantial seller of market pulp and Feldmühle a large buyer. This would reduce the swings in profits from the companies.

Stora said yesterday, meanwhile, that its decision concerning the construction of a pulp plant in Chile was likely to be made until 1992 at the earliest. This prospect arose from a \$60m investment in a joint venture to grow forests in Chile announced last October. The venture agreement included an opportunity to build a pulp plant close to the forest when raw materials and market conditions were considered to have been fulfilled.

## Laidlaw lifts earnings 34% to CS73m

By Robert Gibbons in Montreal

Laidlaw, the waste management and school bus group controlled by Canadian Pacific, reported quarterly earnings of 30 cents a share, up from 25 cents a year earlier and better than most analysts had predicted.

Net profit was C\$73.3m (US\$62.4m) in the three months ended May 31, up 34 per cent from C\$54.7m a year earlier. Revenues climbed 33 per cent to C\$512m.

Nine-month net profit was C\$194.8m or 81 cents a share, against 68 per cent from C\$140m or 68 cents, on a 29 per cent gain in revenues to C\$1.4bn.

The company would not comment on the results but analysts said the strength in Laidlaw's waste management operation offset problems in the school bus sector. Waste operations account for 60 per cent of revenues and about 70 per cent of profit.

Laidlaw is North America's second largest waste management group.

SHL Systemhouse, a systems integrator and computer retailer belonging to the troubled Kinburn high technology group, reported a 62 per cent drop in third-quarter net profit to C\$2.3m or 6 cents a share.

For the nine months ended May 31, SHL showed a loss of C\$28.5m or 78 cents a share, including special writedowns, against a profit of C\$12m or 45 cents a share a year earlier. Sales rose 8 per cent to C\$527m partly due to the addition of ComputerGroup in Britain.

### Times Mirror slips

TIMES MIRROR, the US newspaper publisher, expects second-quarter earnings to fall from \$85m in the first quarter to about \$46m.

## AT&T shares tumble on warning of earnings fall

By Martin Dickson in New York

SHARES in American Telephone and Telegraph (AT&T) fell sharply yesterday when the company warned of a probable drop in its second-quarter earnings because of lower than expected product sales in some of its US businesses. By midday the shares had fallen 2 1/2% to \$38 1/2.

The biggest US telecommunications group attributed the sales slowdown to "a combination of market conditions and the sluggish economy."

The company said that while it still expected 1990 earnings to be higher than the \$2.7bn achieved in 1989, the softer second quarter would make it more difficult to meet its target of a 10 per cent to 12 per cent earnings growth for the year.

AT&T earned \$699m or 65 cents a share in the second quarter of last year. Analysts had been expecting an increase to between 68 and 75 cents a share.

A company official said the profits warning was based on data for the first two months of the quarter, April and May. Sales of equipment for small and large businesses, such as FAX machines, network switching, transmission and cable equipment, had been disappointing. Sales of computers and equipment for the Federal Government had also been soft.

However, overseas sales were doing well and long distance call volume was growing. AT&T said expenses would be higher during the quarter

because demand for its new credit card, introduced in March, had been twice the level expected.

During the first 79 days of operation, the company opened 1m accounts for 1.7m cards, compared with expectations that just 500,000 accounts would be opened. The new card, seen as a potentially powerful new entrant to the credit market, allows users both to pay for phone calls and buy goods and services.

Mr Morris Tenenbaum, AT&T vice chairman and chief financial officer, said the group's "overall financial position is solid and earnings are on target in our long-distance businesses, which continue to grow and remain very competitive."

## Sale of American Brass agreed

By Kenneth Gooding, Mining Correspondent

OUTOKUMPU, the state-owned Finnish natural resources group, has agreed to buy the American Brass Company, which claims to be the second largest producer of copper and copper alloy mill products in the US.

American Brass was the subject of a management buy-out five years ago.

Mr Joseph Goodell, American Brass president, refused to reveal either the price paid then or the proposed price said there was no question of the American Brass management becoming millionaires.

"We will have to go on working for the company and we want to go on working for the company," he said.

If the deal is completed - it is subject to US regulatory approval and a "due diligence" review - Outokumpu will increase its downstream copper business, which currently has a US\$1bn turnover, by about one third, and consolidate its position as the second largest producer of copper and copper alloy semiproduces.

American Brass employs 1,000, has annual revenues of \$65m and is profitable. Its output of 120,000 short tons (about 108,000 tonnes) will take Outokumpu Copper's production to 450,000 tonnes a year.

Outokumpu Copper already has three companies in the US and production plants in the Scandinavian countries, the Netherlands and Spain.

American Brass produces copper and copper-based strip and tube materials, mainly for the construction and electronic industries in the US, in three locations: Buffalo, New York; Kenosha, Wisconsin; and Franklin, Kentucky.

## Danisco posts DKr1.47bn pre-tax profit

By Hilary Barnes in Copenhagen

DANISCO, the group formed by one of the biggest mergers in Danish corporate history, made a satisfactory start to its existence with a pre-tax profit of DKr1.47bn (\$280m) on turnover of DKr16bn in a 16-month fiscal period to April 30.

The group was formed with effect from January 1 1989, from Danisco Sukkerfabrikker (Danish Sugar), Danisco Spritfabrikker (Danish Distillers) and Danisco to create a food, beverages, food ingredients and packaging company. Measured by turnover, it is one of Denmark's biggest manufacturing companies.

Despite a "satisfactory" year, Danisco will not pay a dividend, but will instead issue bonus shares to a value of 3 per cent of share capital. The reason for the decision was an unclarified legislative situation concerning the double taxation of dividends, which the Government has promised to abolish.

Satisfactory results were achieved by all five divisions, said the report. Extensive buying and selling of companies

makes comparisons difficult, but on a pro forma basis, sales in the 16-month period increased to DKr16bn from DKr13.8bn in the previous 12 months, pre-tax profits from DKr920m to DKr1.47bn and net profits from DKr655m to DKr1.25bn.

Equity capital increased over the 16-month period from DKr4.80bn to DKr5.58bn, the relatively modest growth being explained by goodwill write-offs. About half group output is exported, a share which is expected to grow.

## Steel group in Venezuelan deal

By Joseph Mann in Caracas

AN AMERICAN steel company has signed a letter of intent with the Venezuelan Government's heavy industry and mining conglomerate, the CVG, covering the construction of a US\$165m plant for producing iron ore briquettes in Venezuela's Guayana industrial zone.

Oregon Steel Mills and the CVG plan to build a facility with capacity for producing 750,000 tonnes a year of briquettes for export, using Venezuelan iron ore. Under the terms of the letter, which calls for the signing of definite contracts within the next 22 months, Oregon Steel Mills will hold 80 per cent of equity in the joint venture and the CVG will have 20 per cent.

The CVG, owned by the Venezuelan Government, is increasing the country's capacity to produce and export iron ore briquettes. Kobe Steel operates a renovate iron briquette plant under a CVG concession and Canadian investors plan to participate in another plant.

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Subordinated Guaranteed Floating Rate Notes due 1996

For the interest period June 28, 1990 to December 28, 1990 the Notes will carry an interest rate of 9.2875% per annum. The interest payable on the relevant interest payment date, December 28, 1990 will be U.S. \$4,721.16 per U.S. \$100,000 Nominal Amount.

By The Chase Manhattan Bank, N.A.  
London, Agent Bank  
June 28, 1990

## Inspectorate International Finance N.V.

£69,300,000  
5% Guaranteed Convertible Bonds Due 1998  
(The "Bonds")  
guaranteed by ADIA SA

The Board of Directors of Adia SA, Chêserex (Switzerland), has decided to issue on 2nd July 1990, free warrants to the shareholders and holders of Participation Certificates of Adia SA.

In accordance with Condition 7 of the Bonds, the right of conversion of the Bonds may not be exercised (and accordingly Bonds may not be lodged for conversion) during the period commencing 2nd July, 1990 and ending on the 16th July, 1990. The right of conversion of the Bonds may be exercised from 17th July, 1990. Notice of the adjustment, if any, will be published as soon as practicable after the effective date of the adjustment.

Bankers Trust Company, London  
28th June, 1990

Principal Paying & Conversion Agent

## NEW FACE OF BRITISH BROADCASTING

The Financial Times proposes to publish this survey on:  
11th September 1990

For a full editorial synopsis and advertisement details, please contact:

Neville Woodcock  
on 071 873 3365

or write to him at:  
Number One  
Southwark Bridge  
London  
SE1 9HL

FINANCIAL TIMES  
EUROPE'S BUSINESS NEWSPAPER

## RHONE-POULENC COMMERCIAL FINANCE B.V.

USD 50,000,000  
16% Notes Due June 29, 1990

In accordance with the Terms and Conditions of the Notes, notice is hereby given that, pursuant to paragraph "Purchase and Redemption" (b) "Mandatory Redemption" (1), the "Final Exchange Rate" as determined by the Principal Paying Agent on June 27, 1990 was: 1.6636.

Therefore, the Redemption Price to be applied to the Notes and interest thereon will be 116%.

Payment of interest and reimbursement of principal will be made on June 29, 1990 in accordance with conditions 8 "Payments" of the Terms and Conditions of the Notes.

THE PRINCIPAL PAYING AGENT  
SOCIETE GENERALE ALSACIENNE DE BANQUE  
Luxembourg Branch

## SGA SOCIETE GENERALE ACCEPTANCE N.V.

USD 40,000,000  
GOLD-LINKED 13 3/4% NOTES DUE JUNE 29, 1990

In accordance with the Terms and Conditions of the Notes, notice is hereby given that, pursuant to paragraph "Purchase and Redemption" (c) "Redemption Price", the London Spot Gold Price on June 27, 1990 at 3:00 pm (London Time), as determined by the Principal Paying Agent, was: 350.85.

Therefore, the Redemption Price to be applied to the Notes will be 100%, the result obtained from the calculation given by the formula: (2 - (350.85/400)) x 100, being more than 100%.

Payment of interest and reimbursement of principal will be made on June 29, 1990 in accordance with conditions "Payments" of the Terms and Conditions of the Notes.

THE PRINCIPAL PAYING AGENT  
SOCIETE GENERALE ALSACIENNE DE BANQUE  
Luxembourg Branch

## INTERNATIONAL COMPANIES AND FINANCE

## State seeks solution to Framatome wrangle

By William Dawkins in Paris

THE French Government is considering a fresh solution to the politically charged three-month wrangle for control of Framatome, the partly state-owned nuclear plant builder.

The proposal, under which France's CEA atomic energy commission would take a majority stake in Framatome, is expected to be forwarded shortly to Mr Pierre Suard, chairman of Compagnie Générale d'Electricité (CGE), the privately owned company at the heart of the row.

CGE raised a political storm recently by boosting its stake in the plant builder to 52 per cent, upsetting the previous balance in favour of the state.

The Government wants to regain control, because of the group's strategic importance in a country which gets 80 per cent of its electricity from nuclear power stations, the highest proportion in the world.

The Administration is under growing political pressure for a quick solution from the Socialist Party, which is planning to propose a law nationalising Framatome. This would be contrary to President François Mitterrand's policy of allowing neither nationalisations nor privatisations.

Under the plan, the latest of several possible solutions, CGE would be invited to sell 6 per cent of its shares to CEA Industrie, a division of the atomic energy commission, or to Cogema, the CEA's nuclear fuel subsidiary.

CEA Industrie owns 38 per cent of Framatome. Cogema would take over another 10 per cent, now held by Electricité de France, the public electricity utility, so giving the CEA direct and indirect control of 61 per cent of Framatome's shares.

CGE says the Government has made contact, but it has not yet received firm offers. Mr Suard has always argued that CGE took a majority in Framatome for solid industrial reasons, because of the shared interests with CGE's power generation business, but he is ready to sell at a market price if there is no agreement. Fr

## Reshuffle at Wagons-Lits brings in new partnership

By George Graham in Paris and David Buchan in Brussels

WAGONS-LITS, the Belgian travel and tourism group, last night set the seal on a far-reaching reshuffle of its shareholding and management structures which will bring Accor, the French hotel company, into a key position in its organisation.

The restructuring places Wagons-Lits under the control of a Franco-Belgian partnership composed of Société Générale de Belgique (La Générale), the Belgian holding company, Caisse des Dépôts et Consignations, the French state financial institution, and Accor.

Sodexho, the French catering company which has taken an 18 per cent stake in Wagons-Lits since whose chairman, Mr Pierre Bellon, has been joint chief executive with Mr François Boyaux since last year, appears to be pushed into second place.

Bruxelles Lambert, the Belgian financial group, will sell its 26.75 per cent stake in Wag-

ons-Lits to La Générale which will, in turn, transfer this stake to a company held jointly with Accor. La Générale is already the leading shareholder in Accor with 12 per cent.

La Générale, which will take 19.5 per cent straight away with an option on the remaining 7.25 per cent exercisable up to July 1 1990 said it had paid "significantly over the market rate" for the stake, which would value it at more than \$650m.

The 26.75 per cent held by La Générale and Accor, with Caisse des Dépôts' 28 per cent, will form a majority, although Sodexho's 18.6 per cent could, with 6.75 per cent still held by Sodexho, a Saudi Arabian group, form a blocking minority under Belgian company law.

Vicomte Etienne Davignon, chairman of La Générale, was last night expected to take over as chairman of Wagons-Lits' permanent committee, while Mr Jean-Marc Simon, head of

CAD, an investment subsidiary of Caisse des Dépôts, was set to replace Comte Jean-Pierre de Launoy, a representative of Bruxelles Lambert, as chairman of the board.

Mr Robert Zoladz, director of strategy and development at Accor, is expected to become joint chief executive of Wagons-Lits, but Mr Bellon is expected to drop the post within a year.

Bruxelles Lambert, which had backed Sodexho's entry into the group and had also wanted to sell Wagons-Lits' Pullman hotels division to Trusthouse Forte of the UK, appears to have fallen out with the other major shareholders, including Mr Robert Lion, chief executive of Caisse des

Dépôts, who has been eager to develop a substantial European tourism group by fostering links between its various investments in the sector. Earlier attempts to marry Wagons-Lits with companies such as Havas Tourisme have failed.

## Krupp increases losses to DM452m

FRIED. Krupp, the West German diversified steel and engineering group, said group net losses widened to DM452m (\$270m) in 1989 from a loss of DM202m a year earlier, AP-DJ reports.

However, it predicted a return to profitability in 1990.

The wider shortfall reflected losses on the sale of some divisions and a large one-time loss of DM705m resulting from book-keeping moves aimed at strengthening the company's balance sheet.

Similar moves were also behind the 12 per cent drop in 1989 net profits reported earlier at Krupp's steel division, Krupp Stahl.

Fried. Krupp said group operating profit rose to DM410m in 1989 from DM217m a year earlier and sales, as reported, advanced to DM17.7bn from DM14.7bn in 1988.

The company said that, after a difficult year, it was heading for higher profitability. "The business year 1989 was a turning point for the Krupp group; the burdens of the past have been digested," said Mr Gerhard Cromme, chairman.

In the first six months of 1990, operating profit was more than a third higher than in the year-earlier period, Mr Cromme said. He did not give details.

He predicted that divisions accounting for 91 per cent of the company's sales would have a "clearly positive" operating result in 1990, up from 73 per cent in 1989.

Mr Cromme said the troubled plant-building division had also "emerged from the valley of tears." After losses totalling about DM1bn in recent years, Mr Cromme said the division had been restructured to cope with future challenges.

Warta, the West German battery maker, said its worldwide group sales in the first five months of 1990 rose 8 per cent to DM794m over the same period last year.

Mr Guenter Mordhorst, chairman, said the Bad Homburg-based company's financial performance in the opening months of 1990 was "not bad."

## De Benedetti warns Berlusconi of limit to Mondadori talks

By Haig Simonian in Turin

MR Carlo De Benedetti has warned his rival, Mr Silvio Berlusconi, that the door to a negotiated settlement of the crisis at Mondadori, the Italian publishing group, will not stay open indefinitely.

In his first comments to the press after last week's arbitrators' decision backing his claim to a crucial 25.7 per cent stake in Amef, the holding company which owns a bare majority of Mondadori's ordinary shares, Mr De Benedetti's position has hardened appreciably.

Speaking at the annual meeting of CIR, his holding company, Mr De Benedetti said he remained ready to hold direct talks with Mr Berlusconi. However, any settlement would have to "bear in mind reality," and notably "who has the majority and who has the minority."

The comments come in the run-up to three decisive Mondadori shareholders' meetings on Friday to approve the group's 1989 accounts, vote on the two separate rights issues put forward by the De Benedetti and Berlusconi factions and appoint a new board.

With "ordinary" and "extraordinary" meetings due to span the day from 10.00am to 7.00pm, it is probable that Mr De Benedetti will succeed in his aim of unseating Mr Berlusconi as chairman.

However, the new board will still not entirely reflect Mr De Benedetti's position of strength following the arbitrators' ruling, as his contract to buy the crucial Amef stake only becomes operational on January 31 1991.

In the meantime, officials appointed by the court, which sequestered the Amef shares pending a resolution to the quarrel over their ownership, are likely to play the same central role on the new Mondadori board as they have on Amef's new board of directors appointed in May.

The Amef board, on which the court has the casting vote, has already decided to support neither of the proposed rights issues, and Mr De Benedetti said he would be willing to accept a postponement.

## Sofigen holds payout after profit adjusted

By William Dullforce in Geneva

SOCIETE Financière de Genève, the Swiss holding company of the group controlled by Mr Carlo De Benedetti, will pay shareholders an unchanged dividend of Sfr10 per bearer share and Sfr1 per registered share on its 1989 account. Some 240,000 bearer shares are publicly traded.

Sofigen reported at the end of April a 28 per cent rise to Sfr18.5m (\$13.1m) in 1989 net consolidated earnings but announced that the profit would be reduced to Sfr13.3m after certain investments had been adjusted to their current market value.

This week the annual general meeting approved a reorganisation under which Cerus, the French holding company of the De Benedetti group, is acquiring 75 per cent

of the voting rights in Sofigen.

The constellation of minority shareholders who joined Mr De Benedetti in founding Sofigen have sold their interests to Cerus. These included Swiss Bank Corporation; Zurich Insurance; Lombard, Odier & Cie, the Geneva private bank; and Hanover AG, a company owned by Mr Stephan Schmidheiny, the Swiss financier and industrialist.

Cerus is ceding 74 per cent of Banque Duménil Leblé to Sofigen, which will be primarily a passive bank holding company.

Sofigen owns 9.6 per cent of Compagnie de Banque et d'Investissement; 6.8 per cent of Brown Shipley, a UK merchant bank; and 25 per cent in M&A Bank, Austria's first independent merchant bank.

## E German investment by Siemens

By Andrew Fisher

SIEMENS, the West German electrical and electronics concern, is planning to invest more than DM1bn (\$585m) in East Germany in the next few years and is currently working on some 30 projects.

It said it expected to employ between 25,000 and 30,000 people in East Germany, with turnover building up to over DM5bn.

In its financial year to September 30 1989 the group's worldwide turnover totalled DM61bn. Its year-end employ-

ment figure was 385,000 people, of which 227,000 were in West Germany. Capital spending last year amounted to DM7.9bn.

Siemens' main activities in East Germany will be in the fields of communications and data processing, energy and transport technology, factory automation, medical technology and environmental protection.

The company said it had concluded a number of joint ventures with East German

combine (industrial groups), with others planned in the lighting and household appliance sectors.

Like AEG, its much smaller rival which is part of Deimler-Benz, Siemens looks likely to play an important role in rebuilding East Germany's shaky infrastructure, especially in the areas of communications - the country's telephone system is extremely underdeveloped - transport, energy and plant modernisation.

## Mecca recommends Rank's £544m bid

MECCA LEISURE, Britain's biggest leisure group, yesterday surprised the City by recommending the hostile £544m (\$841m) takeover bid which Rank Organisation launched at the beginning of the month, says Andrew Bell.

Mecca also revealed that Mr Michael Guthrie, its chairman and chief executive, unexpectedly underwent heart surgery last Thursday. It said Mr Guthrie was making a satisfactory recovery.

Mecca said its main reason for recommending the Rank offer was that in the present unfavourable market conditions it was unable to achieve acceptable prices for the asset disposals which were required to reduce the group's unacceptably high level of debt.

Rank's one-for-nine, all-paper offer values each Mecca ordinary share at 95.7p. Mecca's shares closed at 86½p, up 4½p on the day, and Rank shares closed down 3p at 86½p. If successful, the takeover would create Britain's largest leisure company, with annual sales of more than £1.6bn.

Lex, Page 14; Analysis, Page 27

## NEW ISSUE

June 14, 1990

\$1,850,000,000



E. I. du Pont de Nemours and Company

Zero Coupon Convertible Subordinated Notes Due 2010

Each Note will be convertible at the option of the Holder at any time on or prior to maturity, unless previously redeemed or otherwise purchased, into common stock, par value \$0.60 per share, of the Company (the "Common Stock") at the Conversion Rate of 4.613 shares per Note. The Conversion Rate will not be adjusted for accrued Original Issue Discount but will be subject to adjustment upon the occurrence of certain events affecting the Common Stock of the Company. Upon conversion, the Holder will not receive any cash payment representing accrued Original Issue Discount; such accrued Original Issue Discount will be deemed paid by the Common Stock received on conversion. The foregoing is subject to the Company's right to pay cash equal to the value of the shares of Common Stock into which Notes are convertible in lieu of delivering such shares of Common Stock.

Notes will be purchased by the Company at the option of the Holder on June 14, 1995, June 14, 2000 and June 14, 2005 at Purchase Prices equal to the Issue Price plus accrued Original Issue Discount to the Purchase Date. The Company, at its option, may elect to pay such Purchase Price in cash, shares of Common Stock or Subordinated Repayment Notes of the Company, or in certain combinations thereof.

The First Boston Corporation

Bateman Eichler, Hill Richards  
Incorporated  
Legg Mason Wood Walker  
Incorporated  
Raymond James & Associates, Inc.

Blunt Ellis & Loewi  
Incorporated  
McDonald & Company  
Securities, Inc.  
The Robinson-Humphrey Company, Inc.

A.G. Edwards & Sons, Inc.  
Edward D. Jones & Co.  
Morgan Keegan & Company, Inc.  
Wheat First Butcher & Singer  
Capital Markets

## NEW ISSUE

This announcement appears as a matter of record only.

June, 1990



TOKYO TATEMONO CO., LTD.

¥ 20,000,000,000

7 per cent. Bonds due 1997

ISSUE PRICE 100% PER CENT.

Daiwa Europe Limited

Fuji International Finance Limited

UBS Phillips &amp; Drew Securities Limited

Yamaichi International (Europe) Limited

LTCB International Limited

Nomura International

Yasuda Trust Europe Limited

Cosmo Securities (Europe) Limited

IBJ International Limited

The Nikko Securities Co., (Europe) Ltd.

Nippon Credit International Limited

Nippon Kangyo Kakumaru (Europe) Limited

Dai-ichi Europe Limited

Daito Securities Europe Ltd.

S.G. Warburg Securities

## Redemption Notice



## European Investment Bank

13% Bonds Due 1996

NOTICE IS HEREBY GIVEN, pursuant to the Fiscal Agency Agreement dated as of August 31, 1984 under which the above described Bonds were issued, that European Investment Bank has called for redemption on August 31, 1990 \$25,000,000 principal amount of said Bonds at the redemption price of 100% of the principal amount thereof, together with accrued interest to August 31, 1990. The serial numbers of the Bonds selected for redemption are as follows:

## COUPON BONDS

(All in \$1,000 denomination)

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The following Bonds each bearing the following serial numbers previously called for redemption have not as yet been presented for payment:

21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100	101	102	103	104	105	106	107	108	109	110	111	112	113	114	115	116	117	118	119	120	121	122	123	124	125	126	127	128	129	130	131	132	133	134	135	136	137	138	139	140	141	142	143	144	145	146	147	148	149	150	151	152	153	154	155	156	157	158	159	160	161	162	163	164	165	166	167	168	169	170	171	172	173	174	175	176	177	178	179	180	181	182	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	198	199	200	201	202	203	204	205	206	207	208	209	210	211	212	213	214	215	216	217	218	219	220	221	222	223	224	225	226	227	228	229	230	231	232	233	234	235	236	237	238	239	240	241	242	243	244	245	246	247	248	249	250	251	252	253	254	255	256	257	258	259	260	261	262	263	264	265	266	267	268	269	270	271	272	273	274	275	276	277	278	279	280	281	282	283	284	285	286	287	288	289	290	291	292	293	294	295	296	297	298	299	300	301	302	303	304	305	306	307	308	309	310	311	312	313	314	315	316	317	318	319	320	321	322	323	324	325	326	327	328	329	330	331	332	333	334	335	336	337	338	339	340	341	342	343	344	345	346	347	348	349	350	351	352	353	354	355	356	357	358	359	360	361	362	363	364	365	366	367	368	369	370	371	372	373	374	375	376	377	378	379	380	381	382	383	384	385	386	387	388	389	390	391	392	393	394	395	396	397	398	399	400	401	402	403	404	405	406	407	408	409	410	411	412	413	414	415	416	417	418	419	420	421	422	423	424	425	426	427	428	429	430	431	432	433	434	435	436	437	438	439	440	441	442	443	444	445	446	447	448	449	450	451	452	453	454	455	456	457	458	459	460	461	462	463	464	465	466	467	468	469	470	471	472	473	474	475	476	477	478	479	480
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For EUROPEAN INVESTMENT BANK  
CITIBANK, N.A.  
as Fiscal Agent.

June 29, 1940

**For EUROPEAN INVESTMENT BANK  
CITIBANK, N.A.  
as Fiscal Agent**

## INTERNATIONAL COMPANIES AND FINANCE

## Singapore alters KL share status

By Joyce Quek in Singapore and Gordon Cramb

THE SINGAPORE Government is to end an exemption for Malaysian investors, classifying them for the first time as foreign shareholders, as part of an overhaul of ownership limits for local companies.

This emerged yesterday after a day of upheaval in the island's banking sector. The Monetary Authority of Singapore, the island's de facto central bank, said on Tuesday that the level of foreign share ownership of local banks could be doubled to 40 per cent.

Although the timetable for this remained unspecified, yesterday it was made clear that this would take into account Malaysian shareholders, redefining foreign shareholders as non-Singaporean citizens or permanent residents.

The move, which is in line with practice in Malaysia, follows the decoupling of the

Singapore and Kuala Lumpur stock markets last year. It particularly affects shares in listed companies which have a separate market quotation for foreign-owned holdings.

These holdings in the Big Four local banks had traded at a substantial premium, reflecting the scarcity of available stock within the 20 per cent limit.

This was severely eroded overnight as the belief that a much bigger pool was now available pulled the foreign-held share price down.

However, Malaysian investors are substantial owners of shares in the four banks, and yesterday's ruling means that overall foreign ownership levels are not as far from the new ceiling as was thought on Tuesday night.

The rules will cover the state-controlled DBS Bank for

the first time. Reflecting the absence of a previous restriction on foreign ownership, DBS has 44.1 per cent of its shares in foreign hands.

The bank will be given time to meet the new requirement, but from yesterday it stopped registering any transfer of shares which would increase the foreign holdings.

Of the other three, OCBC said yesterday it had a 34 per cent foreign ownership and OUB said it was at 24 per cent. UOB gave its level as 26.7 per cent but with the prevalence of backlogs in the existing queueing system under which foreign buyers transfer locally purchased shares, the ultimate percentage may be higher.

One stockbroker said he believed that the new rules would come into effect after the banks convene extraordinary meetings to ratify the

changes, a process which would take about three to four weeks.

Another was optimistic that, although the MAS decision had not been anticipated by foreign clients and had led to confusion, in the long term the move would give foreigners more opportunities to invest in a strong sector.

It was pointed out that Mr Lee Kuan Yew, the Prime Minister, had cautioned on his recent European tour that Singapore banks and insurance companies would not be able to enjoy government support against foreign competition for much longer.

Kim Eng Holdings, a Singapore quoted stockbroker group, yesterday reported net profits of \$13.5m (US\$7.3m) on turnover of \$947.3m in the year to March, during which it undertook a share flotation.

## ANZ emerges as buyer of 4.7% Coles Myer stake

By Bruce Jacques in Sydney

ANZ Banking Group, one of Australia's big three private sector banks, has revealed itself as the buyer of a 4.7 per cent stake in Coles Myer, the largest retailing group.

ANZ yesterday confirmed market speculation that it had paid A\$225m (US\$176m), or A\$9 a share, for the Coles Myer parcel sold in an off-market transaction on Monday by Premier Investments. Premier is the main flagship company of Mr Solomon Lew, the Melbourne investor who has hit liquidity problems.

Mr Lew is also the Coles Myer deputy chairman, and retains a stake of about 12 per cent in the company, maintaining him as the second largest shareholder after the US-based K mart group, with 22 per cent.

ANZ said it had bought the shares as a "long term strategic investment" but did not explain why it had paid a A\$1.20 a share premium over

the market price of A\$7.80. Coles Myer shares fell a further 4 cents yesterday to A\$7.72 in Sydney.

However, ANZ is believed to be the Premier group's biggest creditor with exposure of about A\$300m, and the transaction was seen by Australian analysts as a debt-for-equity swap.

ANZ, which refused to comment further on the deal, was seen to be more comfortable with an expensive share position in Coles Myer than with a debt exposure to Premier.

The transaction also brought an intervention by the Australian Stock Exchange which yesterday asked Premier directors if there were any conditions attached to the sale.

The directors said there were not and that the reason for the premium over market price was the quantity of shares involved and the purchaser's long-term confidence in Coles Myer.

## Sasol aims to lift earnings with R1.2bn investment

By Philip Gawth in Johannesburg

SASOL, the South African synthetic fuel group specialising in the conversion of oil to coal and gas, has announced six new projects which will involve capital expenditure of R1.2bn (\$450m) and which are expected to boost its earnings by 18 per cent, or R300m, by 1993.

The announcements are in line with Sasol's stated intention of diversifying into higher value-added chemicals without neglecting their synthetic fuel operations. The new projects use the chemical feedstocks derived during the synfuel process, such as ethylene, propylene and ammonia.

The programme, which should be completed by 1993, will consist of a production line for candle and specialised waxes, a new ammonia plant, a production facility for paraffin products, a n-butanol plant, an anode coke plant and an expansion of

the ethylene recovery plant.

The projects will be aimed at replacing imported industrial chemicals, but some of the facilities will also be directed to the export market. Mr Pagan Kruger, managing director of Sasol, estimates that more than R400m foreign exchange will be saved in this way.

Of the investment, R750m will be at Sasol 1 in Sasolburg, with the balance at Secunda where the Sasol 2 and 3 plants are located.

The three projects at Sasol 1 are a wax expansion project, which will double production capacity to 120,000 tonnes; a facility to produce paraffin products for detergent and solvent purposes; and a 240,000 tonnes a year ammonia plant for use in fertiliser and explosives markets. The main product at Secunda will be a R300m anode coke plant which will produce anode and needle coke, both currently imported.

## Malaysia plans to privatise 20 airports

MALAYSIA plans to privatise 20 of its airports valued at M\$800m (US\$221m) by early next year, Reuters reports from Kuala Lumpur.

A transport ministry official said a new company, Malaysian Airports Corp, had been formed to take the airports over from the Department of Civil Aviation. British Airports Services, a unit of the UK's BAA, as well as Malaysia's Amanah Merchant Bank and two other local companies were studying ways to privatise the airports.

Six of the 20 are international airports, while eight are located in the states of Sabah and Sarawak on Borneo island.

The Government will transfer all the assets to the new company but operations such as air traffic services and flight control would remain in government hands. "Only non-regulatory functions such as airport management and other related services will be privatised," the official said.

## Sasea posts comparable earnings of SFr25m

By William Duiforce in New York

SASEA, the Geneva-based investment banking group headed by Mr Florio Fiorini, yesterday posted 1989 consolidated earnings of SFr25m (\$17.7m), which it said was comparable with net earnings of SFr24m in the previous year.

In the 1988 annual report the group recorded a net profit of SFr24m but has since modified its method of amortising the goodwill on its acquisitions. Cash flow climbed from SFr63m in 1988 to SFr65m.

Following the increase in share capital, from SFr201m to SFr402m, earnings per share have declined from SFr12 to SFr5 but Sasea said the holding company's profit potential was being maintained.

The holding company, which operates to a June year-end, was expected to report increased earnings and would pay a dividend equal to or more than that paid in 1988, Sasea said.

Property assets valued at

more than SFr200m had been sold since the beginning of 1989. Mella International, Amsterdam, of which Sasea owns 49 per cent, had signed a contract for the sale of its majority holding in Renta Immobiliaria, of Madrid.

Chamotte Unie, Amsterdam, in which Sasea has a 60 per cent controlling stake, was in an advanced stage of negotiating the sale of some of its insurance holdings.

Sasea specialises in acquisitions, corporate reorganisations and the resale of investments. Last year its consolidated balance sheet more than doubled, from SFr1.5bn to SFr3.6bn, largely as the result of the incorporation of Scotti Finanziaria, a Milan-based property group, which posted assets equivalent to SFr1.2bn at the end of 1988.

Currently Sasea has a 35 per cent interest in Tamoli (Suisse), the Libyan-controlled consortium.

## CS First Boston to establish NZ foothold

CS First Boston, the US investment bank, is establishing a presence in New Zealand by buying the local stockbroker, fixed interest, futures, research and corporate advisory business of Jarden Morgan NZ. AP-DJ reports from Wellington.

Mr Peter Thomas, chief executive of CS First Boston Australia, said that the price "will be a premium to the net assets of the broking business."

The transaction is subject to approval by New Zealand regulators, as well as both the New Zealand Stock Exchange and futures exchange. The sale must also be approved by shareholders in Jarden Morgan, a New Zealand-listed company that owns Jarden Morgan NZ.

CS First Boston Australia will also acquire the corporate advisory business of Jarden Morgan Australia. Jarden Morgan previously sold the precious metals business of its Desk International unit.

This announcement appears as a matter of record only.



USD 350,000,000

Bridging Facility to finance the purchase by

Stena Line (UK) Ltd.

of all shares in

Sealink British Ferries Ltd.

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Svenska Handelsbanken

Provided by

English Trust  
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Agent

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POTTER PARTNERS GROUP LIMITED

will change its name to

POTTER WARBURG LIMITED

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NSW 2000  
Australia

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Canberra ☐ Perth ☐ Surfers Paradise

## NEW ZEALAND

Auckland ☐ Wellington

## INTERNATIONAL

London ☐ New York ☐ Hong Kong ☐ Tokyo  
Berlin ☐ Boston ☐ Bristol ☐ Frankfurt ☐ Geneva  
Isle of Man ☐ Jersey ☐ Kuala Lumpur  
Luxembourg ☐ Madrid ☐ Milan ☐ Munich ☐ Paris  
San Francisco ☐ Seoul ☐ Singapore  
Taipei ☐ Toronto ☐ Vancouver ☐ Zurich

THIS ANNOUNCEMENT APPEARS AS A MATTER OF RECORD ONLY

## EUROFIMA

(Société Européenne pour le Financement du Matériel Ferroviaire)

Pesetas 10,000,000,000

13.75% Note

Due June 1995

J.P. Morgan S.V.y.B

Banesto

Algemeine Bank Nederland N.V., Sucursal en España

Banco Bilbao Vizcaya, S.A.

Banco Comercial Transatlántico, S.A., (Grupo Deutsche Bank)

Banco Exterior de España, S.A.

Banco Hispano Americano, S.A.

Banco Santander de Negocios

Bankers Trust, Sociedad de Valores, S.A.

Banque Bruxelles Lambert, Sucursal en España

Crédit Commercial de France, Sucursal en España

Dresdner Bank A.G., Sucursal en España

Midland Bank Plc., Sucursal en España

Nikko España, Sociedad de Valores, S.A.

S.B.S., Sociedad de Valores, S.A.

Tokyo, Sociedad de Valores (España), S.A.

Banesto

J.P. Morgan

June 1990

## BANCO DI ROMA

US\$200,000,000

Floating rate subordinated loan

participation certificates due

2001

Issued by Morgan Guaranty GmbH for

the purpose of making a subordinated

loan to Foreign Branches of Banco di

Roma.

In accordance with the terms and

conditions of the Certificate the Rate

of Interest for the Interest

Determination period 28th June 1990 to

28th December 1990 has been fixed at

8.4675%.

Interest accrued for the above period

and payable on 28th December 1990

will amount to US\$ 2,121.16 per

US\$ 50,000 Certificate and

US\$ 21,521.56 per US\$ 500,000

Certificate.

Agent: Morgan Guaranty

Trust Company

JP Morgan

U.S. \$300,000,000



## Bank of Greece

Athens, Greece

Floating Rate Notes Due 1995

Interest Rate 8.7375% per annum

Interest Period 28th June 1990 to

28th December 1990

Interest Amount per

US\$ 500,000 Note

US\$ 21,521.56 per US\$ 500,000

Note US\$220,76.

June 28, 1990, London

By Citibank, N.A. (ISSN Dept.) Agent Bank

## CIVAS 14 LIMITED

U.S. \$55,000,000

Secured Floating Rate Notes due 1993

Interest Rate 8.7375% p.a. Interest

Period June 28, 1990 to December 28,

1990. Interest Payable per US\$50,000

Note US\$220.76.

June 28, 1990, London

By Citibank, N.A. (ISSN Dept.) Agent Bank

**AMERICAN INTERNATIONAL GROUP, INC.**  
World Leaders in Insurance and Financial Services.

**By Deborah Hargreaves in London and Karen Zagor in New York**

BENCHMARK GOVERNMENT BONDS								
	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago	
UK GLTS	10.000	4/93	94-10	-08/32	12.48	12.45	12.73	
	10.000	3/89	94-12	-14/32	11.66	11.71	12.20	
	9.000	10/98	92-25	00/32	10.73	10.71	11.21	
US TREASURY *	8.875	05/90	102-19	+03/32	8.53	8.49	8.68	
	8.500	05/90	102-19	+03/32	8.51	8.46	8.61	
JAPAN	No 11B	8/98	87.003	-0.212	7.16	7.11	6.94	
	No 2	8/98	91.8652	-0.773	6.72	6.70	6.59	
GERMANY	7.750	02/90	93.560	-0.120	8.73	8.83	8.78	
FRANCE	BITAN	9.000	02/85	98.3022	-0.103	10.00	10.11	9.72
	OAT	8.500	03/90	92.7000	-0.490	9.87	9.74	9.81
CANADA *	9.750	05/90	94.2000	-0.500	10.70	10.68	11.80	
NETHERLANDS	8.000	05/90	100.5800	-0.290	8.90	8.86	8.86	
AUSTRALIA	12.000	7/89	92.1642	+0.194	13.53	13.58	13.49	

London closing, \*denotes New York morning session  
 Yields: Local market standard      Prices: US, UK in 32nds, others in decimals

Source: **FINANCIAL DATA**      Technical Data/ATLAS Price Disclosure

## GOVERNMENT BONDS

it appears weak in Europe against the lira and peseta.

As the market closed, the German Government said that East and West Germany had agreed to increase the size of its subsidy package, worth DM12.3bn, after monetary union. Bund traders remain concerned about the inflationary effects of monetary union.

■ RUMOUR and gossip beset the London gilt market yesterday. Prices were pushed down

■ US Treasury bond prices were little changed yesterday morning, but uncertainty about the prospects of an accord to cut the US budget deficit kept trading in check.

At mid-session, the Treasury's benchmark 30-year bond was priced at 109 1/2, yielding 8.51 per cent. Shorter-dated maturities were up about 1/4 point.

The Federal Reserve entered the open market to arrange \$2bn customer repurchase agreements to shore up yields, at which banks lend to each other. were

The market concentrated on yesterday afternoon's \$8.25bn four-year note auction. In a week which has seen a record supply, yesterday's sale was generally regarded as potentially the most troublesome because of the longer maturity.

Bonds had rallied as much as 1/2 point since President Bush said "tax revenue increases" were vital to a responsible deficit reduction package. The President's words sparked hopes of a lower deficit, and the prospect of a government borrowing and room for interest rates to fall.

SWISS Bank Corporation plans to consolidate its domestic and international management operations in Basle and concentrate foreign operations in Zurich, AP-AD reports.

The changes, which will become effective over the next 18 months, are being made in response to increased competition in the global banking industry, SBC said.

The reorganisation is not expected to trigger lay-offs. Further details on the new structure will be given at the bank's six-monthly press conferences.

The new finance and international group, to be based in Zurich, will operate as a separate profit centre, and will focus on foreign exchange and precious metals trading, money market operations, stock market activity, capital markets, and corporate finance and banking.

The group will also handle all business outside Switzerland. "The new organisation in Zurich should be operational by 1 July 1991 at the latest, and is expected to gradually improve our effectiveness and efficiency at the inter-

national level," said the bank.

In Basle, the bank's general management and branch organisations will be consolidated under a single head office. SBC said the new arrangement would make it possible to streamline the organisation, reduce the number of command and eliminate numerous duplications of effort. It noted that other leading Swiss and international banks already had similar organisational structures.

The new head office in Basle is expected to be in place by January 1, 1992.

FT/AMD INTERNATIONAL BOND SERVICE

[illegible][illegible]

MARK	TYPE	PRICE	CHG	PERCENT	MARK	TYPE	PRICE	CHG	PERCENT
ALGERIA 5 1/2 1/2	1000	87 1/2		7.30					
ARGENTINA 4 1/2 1/2	1000	87 1/2		7.30					
AUSTRIA 4 1/2 1/2	1000	87 1/2		7.30					
BELGIUM 4 1/2 1/2	1000	87 1/2		7.30					
DENMARK 3 3/4 1/2	1000	87 1/2		7.30					
FRANCE 4 1/2 1/2	1000	87 1/2		7.30					
GERMANY 4 1/2 1/2	1000	87 1/2		7.30					
ITALY 4 1/2 1/2	1000	87 1/2		7.30					
NETHERLANDS 4 1/2 1/2	1000	87 1/2		7.30					
SPAIN 4 1/2 1/2	1000	87 1/2		7.30					
SWEDEN 4 1/2 1/2	1000	87 1/2		7.30					
SWITZERLAND 4 1/2 1/2	1000	87 1/2		7.30					
UNITED KINGDOM 4 1/2 1/2	1000	87 1/2		7.30					
UNITED STATES 4 1/2 1/2	1000	87 1/2		7.30					
WEST GERMANY 4 1/2 1/2	1000	87 1/2		7.30					
YUGOSLAVIA 4 1/2 1/2	1000	87 1/2		7.30					
CONVERTIBLE BONDS									
ALGERIA 5 1/2 1/2	1000	87 1/2		7.30					
ARGENTINA 4 1/2 1/2	1000	87 1/2		7.30					
AUSTRIA 4 1/2 1/2	1000	87 1/2		7.30					
BELGIUM 4 1/2 1/2	1000	87 1/2		7.30					
DENMARK 3 3/4 1/2	1000	87 1/2		7.30					
FRANCE 4 1/2 1/2	1000	87 1/2		7.30					
GERMANY 4 1/2 1/2	1000	87 1/2		7.30					
ITALY 4 1/2 1/2	1000	87 1/2		7.30					
NETHERLANDS 4 1/2 1/2	1000	87 1/2		7.30					
SPAIN 4 1/2 1/2	1000	87 1/2		7.30					
SWEDEN 4 1/2 1/2	1000	87 1/2		7.30					
SWITZERLAND 4 1/2 1/2	1000	87 1/2		7.30					
UNITED KINGDOM 4 1/2 1/2	1000	87 1/2		7.30					
UNITED STATES 4 1/2 1/2	1000	87 1/2		7.30					
WEST GERMANY 4 1/2 1/2	1000	87 1/2		7.30					
YUGOSLAVIA 4 1/2 1/2	1000	87 1/2		7.30					

\* No information available - previous date's price  
 † Only one market maker supplied a price

**STANDARD BOND:** The yield is the yield to redemption of the bid-price; the amount shown is in millions of currency units. **Chg. day =** Change on day of sale.  
**PLATING RATE NOTED:** Determined in dollars above overwriting indicated. **Coupon shown is minimum.** **Sprad =** Margin above six-months offered rate (three-month base minus rate) for US dollars. **Coupon =** The current coupon.  
**CONVERTIBLE BOND:** Determined in dollars unless otherwise indicated. **Gw. price =** Nominal amount of bond per share expressed in dollars and cents of currency value at least. **Prent =** Percentage premium of the current bid-price per share to acquiring shares via the bond over the most recent price of the shares.

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Data supplied by Association of International Bond Dealers.

**By Deborah Hargreaves**

THE race to create an index of top European stocks speeded up on Monday when Mr Jeroen Westerterp, president of Amsterdam's European Options Exchange, announced that his Top 100 index would be calculated in real-time prices from July 16. Reuters started to display price of stocks in the index on Tuesday.

Mr Westerterp said shares had been selected from countries with a total stock market capitalisation of more than 500bn. The capitalisation weightings of the 100 stocks in the index had been determined by turnover of shares in their home country over the past three years.

In the index, with the UK the most heavily weighted country at 22 per cent. France and Germany have a 15 per cent weighting each and Switzerland and Italy a 10 per cent weight. Spain, Sweden and the Netherlands are weighted at 8 per cent and Belgium at 4 per cent.

The value of the index will be expressed in Ecu and will be calculated on a daily basis. Mr Westertery says the EOR and the Amsterdam Financial Futures Market will soon begin trading options and futures based on the index.

The futures markets in London and Paris are also looking at developing their own versions of a Euro-index. Although Mr Westerterp is offering his index to other exchanges, few European markets have taken him up on it.

However, he is talking to the American Stock Exchange in New York about possibly listing the index on its market, where it would be denominated in US dollars.

**By Geoffrey Grima  
in Valletta**

**MID-MED Bank**, Malta's largest state-owned commercial bank, is negotiating the sale of 25 per cent of itself with some European banks.

Paribas, one of France's private financial institutions, began negotiations over the weekend. Two other unnamed European banks are also interested.

The negotiations with Paris, which have taken place in Valletta, form part of the Government's strategy to dispose of its 49.9 per cent shareholding in Mid-Med, the former Barclays Bank operation. The remaining shares are to be put up for public subscriptions locally.

According to government officials, it is hoped to conclude the disposal by this time next year.

Mid-Med, with assets totalling \$658m, towers over the island's two other state controlled banks, Banco Valetta and Lombard, which recently put some of its shares out for public subscription.

**The Government's banking strategy is aimed at diluting state interest as Malta prepares to apply for full European Community membership. Mid-Med last year reported**

an after-tax profit of ME3.5m. Lending totalled ME190m (\$594m) and deposits grew to ME358m. Last year the bank increased paid up capital to ME6m and increased shareholders' funds to ME12m.

## Saudis offer state bonds to foreigners

**SAUDI Arabia has offered state bonds to foreign investors in a policy turnaround aimed at widening its secondary market for the instruments, Reuters reports.**

According to Gulf-based bankers, the Saudi Arabian Monetary Agency (SAMA) has informed commercial banks that they can sell the two-to-five-year development bonds - issued since 1986 to help cover budget deficits - to new categories of investors.

These include banks operating in the Bahrain-based offshore market and overseas branches of Saudi firms. Institutions incorporated within or resident in the six-member Gulf Co-operation Council (GCC) are also eligible to purchase bonds.

Bankers said that the move, the latest in a series of steps by SAMA to broaden the bond market, indicated that the kingdom intended to rely on the instruments as a long-term source of cash. No one is revealing how many bonds have been issued. But bankers reckon that commercial banks have taken about a third of the total, and state-owned institutions the remainder.

Please note that from 2nd July 1990 the London Bearer Reception office for the companies listed above will be:

**BARCLAYS BANK PLC  
STOCK EXCHANGE SERVICES DEPARTMENT  
54 LOMBARD STREET  
LONDON EC3P 3AH**

Coupons for dividend payments in respect of these companies should be presented at the London Bearer Reception office together with the relevant share certificate, if available at that office. Callers are requested to use the entrance at 110 Abchurch Lane, Strand.

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**FINANCIAL TIMES**

June 28, 1990, London  
By: Citibank, N.A., (CSSI Dept.), Agent Bank

Instal



## UK COMPANY NEWS

# Rothmans rises to £405m and seeks efficiencies

By Andrew Hill

ROTHMANS International, the tobacco and luxury goods group, pushed profits up by 24 per cent in the year to March 31, making £405.6m pre-tax, against £326.7m previously.

Net sales revenue increased from £1.91bn to £2.23bn and earnings per share increased by 23 per cent to 64.4p (52.3p).

The recommended final dividend of 9.2p on the ordinary and B ordinary shares makes 15.4p (12.5p) for the year. The B shares slipped 2p to 75p yesterday.

Since last November the British company has been controlled by Richemont, the Swiss-based group which itself reported a 34 per cent increase in profits yesterday. Richemont raised its voting stake in Rothmans from 44 per cent to 68 per cent through an offer for the group.

Lord Swaythling, Rothmans' chairman, said Richemont, which is controlled by the South African Rupert family, had taken a much greater interest in the running of the company since increasing its stake. "I believe they are a very positive influence on the company," he said yesterday.

The contribution from Rothmans' principal subsidiaries in



Lord Swaythling: positive influence from Richemont

1989-90 was almost exactly the same as in the previous year, with its tobacco interests generating 87 per cent of group profit and the balance coming from the luxury goods operations, which include a controlling interest in Dunhill Holdings.

Tobacco increased operating profits from £265m to £280.5m on sales of £1.74bn (£1.48bn), and luxury products put in £48.4m (£38.1m) on turnover of £227m (£180m). Other activities dropped from a £100,000 profit to a £100,000 loss, although

sales were £257m (£246m).

Rothmans also owns a 47 per cent stake in Cartier Monde, the balance of which is controlled by Richemont. The UK group's share of Cartier's profits rose from £41.4m to £59.3m.

Lord Swaythling stressed the resilience of the tobacco and luxury goods brand names, even when faced by hard times, and said growth would continue to be mainly organic, although the group has more than £500m of net liquid funds on its balance sheet.

The company would try to squeeze additional efficiencies from its tobacco manufacturing plants, Lord Swaythling said, adding: "There's not enough growth in the tobacco industry worldwide for people to sit on their backside and expect the business to come to them."

Richemont's pre-tax profits rose from £467m to £580m in the same period, on gross sales revenue of \$5.9bn (\$4.78bn) generated by a range of interests in financial services, natural resources, luxury goods and tobacco. Earnings per unit were \$254.70 (\$185.40), and the dividend per unit was \$41.25 (\$32.75).

## UES set for sizeable acquisition in the US

By Charles Leadbeater, Industrial Editor

UNITED Engineering Steels, the Rotherham-based special steels maker, is on the verge of making its first significant foreign acquisition in the shape of a US crankshaft maker.

UES, jointly owned by British Steel and GKN, the engineering and industrial services group, said it had reached agreement in principle with Wyman-Gordon to acquire the US group's midwest division which forges and machines crankshafts for trucks, off-highway vehicles and power generators. The two companies expect to complete the deal in September.

The investment comes as UES is in the midst of closing its Brymbo plant in North Wales and a £200m investment programme in its main plants in Yorkshire.

UES's plan to move into the US comes days after it was disclosed that British Steel had held discussions with USX, the leading North American steel producer, over the purchase of some of its steel assets.

Wyman-Gordon's crankshaft division employs about 640 people at plants in Michigan and Illinois. It manufactures forgings, castings and composite structures mainly for the aerospace industry and other industrial applications.

## Graham Wood advances 52%

Graham Wood, the construction engineer, lifted pre-tax profits by 52 per cent from £1.15m to £1.75m in the year to March 31.

Turnover expanded 43 per cent to £29.77m (£20.04m), with all of the group's 13 businesses performing satisfactorily with the exception of Structural Fireproofers, which is to be wound down.

Basic earnings per share slipped to 35.9p (38.8p) and fully diluted to 31.3p (31.9p). The decline reflected the sharp rise in tax to £485,000 (£145,000).

A final dividend of 1p is proposed, making a total of 3p.

## UK housing recession bites at three companies reports Andrew Taylor

### Crest Nicholson falls into £572,000 loss

CREST NICHOLSON, the housebuilder and commercial property developer, incurred a pre-tax loss of £572,000 in the six months to end-April as the housing market in southern England remained in deep recession.

During the corresponding period of the previous year the group made profits of £20.2m.

Mr Roger Lewis, chief executive, said sales in interest rates had hit both the residential and commercial property markets.

In the first six months of the current year Crest sold 500 houses, 15 per cent fewer than in the comparable period.

Price cuts, introduced in a bid to stem falling sales, meant that losses by the housing division rose to more than £2m. This included a provision, thought to be more than £1m, to cover future losses on land and house sales.

There had been a slight revival in house sales during January and February but this had halted abruptly when building societies increased mortgage interest rates before Easter. The housing market currently remained very difficult, said Crest.

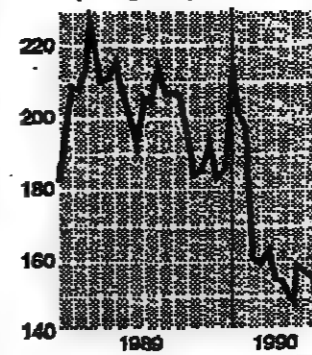
The property and contracting division is thought to have made profits of more than £3m of which construction is understood to have contributed about £2m.

Mr Lewis warned that the slowdown in the commercial property market meant that many institutions were currently not investing in commercial property. He said the outlook for the rest of the year therefore was likely to be difficult while interest rates remained high.

The balance sheet, however, remained relatively healthy with borrowings of £49m at the end of April equivalent to 32 per cent of shareholders' funds.

### Crest Nicholson

Share price (pence)



The interim dividend is maintained at 5p.

COMMENT In spite of a torrid first half Crest should be capable of making pre-tax profits of £12m for the full year compared with £37.12m in 1989-90. This, assuming earnings of about 8.5p fully

diluted, puts the group on a p/e of almost 17, well above any other housebuilder. The reason for this rating can only be the potential of the large number of options to acquire housing land held by the group which operates mainly in southern England and east Midlands. These should be among the first regions to feel the benefits of any recovery when interest rates eventually decline. However, a recovery at this point looks like being at least 12 months away even assuming an interest rate fall by the end of the year. There are also other stocks just as well, if not better placed, to take advantage of a recovery when it comes. These do not command the kind of rating enjoyed by Crest even after a 9p fall to 144p in the company's share price yesterday. The stock is tightly held which helps explain the high rating but any upside is already in the price given the current outlook for housing.

## Fairbairn shelves plans to go private as profits dive

FAIRBAIRN, a housebuilder and commercial property developer, has shelved plans to take the company private following a sharp fall in profits.

Mr Remo Dipre, whose family owns about two-thirds of the shares, said difficult conditions in the housing market had made it impossible to produce a proposal which could be put to other shareholders.

Plans to take the company private were announced at the beginning of this year when the group's shares were trading at 50p.

Fairbairn's shares were unchanged at 28p yesterday following the announcement that pre-tax profits had fallen from £14.7m to £3m during the 12 months to end-March.

Turnover fell from £46.51m to £30.01m, while earnings per share dropped from 25.5p to 5.6p.

Mr Dipre said that in the light of difficult market conditions the market the company had decided not to pay a final dividend. The interim dividend was cut earlier this year

from 1.7p to 1.3p. Last year's total was 3p.

Fairbairn also announced an extraordinary loss of £1.14m, taken below the line, against small share stakes in rival housebuilders and property developers Bellwinch and Crosby.

Mr Dipre blamed high interest rates for falling demand for residential and commercial property and for a jump in the company's interest bill from £1.54m to £4.15m.

He said: "I anticipate that the residential property market will not improve significantly until the interest rate is more favourable and that the current year will therefore also be difficult."

Mr Dipre said borrowings had risen higher than the most recent forecasts. The group would like and that it was rearranging some of the financing on investment properties onto a longer term basis.

He said the group's development programme would be delayed to enable completed developments to come on stream when the investment climate was more favourable.

## Worst market for 50 years cuts Berkeley to £204,000

THE RECESSION in the UK housing market was the worst for 50 years, Mr James Farrer, chairman of Berkeley Group, housebuilder and commercial property developer, said yesterday.

Mr Farrer made his remarks as Berkeley announced that pre-tax profits had fallen from £22.1m to just £204,000 during the year to the end of April.

The figures included a provision of £2.5m to cover a fall in land and house prices during the year.

Berkeley's chairman said the past year had been the most difficult the company had faced since it started trading in 1976. The impact of the slump in the housing market had been most acute in southern England where the company's operations were concentrated.

Group turnover fell by 29 per cent from £159m to £88.1m. Earnings per share fell from 34.2p to 0.2p.

The group last year sold 378 houses, 26 per cent fewer than in 1989/90. Housebuilding profits from £24.5m to £11.1m in 1989/90. Commercial property profits fell from £213,000 to £202,000. Profits from housing joint ventures also slumped

Berkeley yesterday announced that it was forming three joint venture companies with Sand Investments of Saudi Arabia, which is taking an 8.55 per cent stake in Berkeley. Two of the joint ventures propose to acquire land put up for sale by distressed British housebuilders. The third joint venture will concentrate on commercial property investment said Berkeley. The group's investment in the three ventures will be a maximum of £7.5m it said.

from just over £3m in 1988/89 to £566,000 last year. Interest charges were largely unchanged at £3.94m in spite of the rise in interest rates.

Mr Farrer said the company had reduced its borrowings from £24.5m to £11.1m during the 12 months to the end of April - a reduction in gearing from 40 per cent to 14 per cent of shareholders' funds.

Mr Farrer warned that the company was bracing itself for another difficult year. In spite of the sharp fall in profits Berkeley announced a maintained final dividend of 5p making 4.5p for the year.

## Glynwed lapses Alumasc bid

By Nikki Tait

GLYNWED International, the engineering group, yesterday lapsed its £24m bid for Alumasc, the beer keg maker.

The deal, which had been accepted by holders of over 98 per cent of Alumasc's shares, was referred to the Monopolies and Mergers Commission earlier this month.

Yesterday, Glynwed refused to be drawn on whether it would now pursue the reference. "We are carefully considering all aspects of the position

at present and a decision will be made in the light of this," was all it would say.

Glynwed did, however, state that earlier hopes of restructuring the deal to avoid the worries which triggered the MMC referral had proved abortive. "It was not possible," the company said.

It added that it would make an announcement on whether it planned to pursue matters with the MMC within the next few days.

When the referral was announced, the Secretary of State for Trade and Industry said that his concerns centred on the possible effects of competition for metal rainwater products. Glynwed's first reaction was to express amazement at the decision and to claim that plastic, rather than metal goods, dominated the market for rainwater products.

The lapsing of the offer means that Alumasc shareholders will have their share certificates returned to them. Alumasc acknowledged that this would be "disappointing", but said that "prospects for growth as an independent public company are excellent and undiminished".

Alumasc shares slipped 5p to 20p.

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Alumasc shares slipped 5p to 20p.

## Globe accuses British Coal funds

Globe, Britain's biggest investment trust and currently fighting a £1.1bn bid from the British Coal pension funds, yesterday accused its predator of "just trying it on".

In its formal response to the revised terms of 305p per share, Globe claimed that the offer "was meant to start with and is now even meaner".

## ANOTHER BUSY WEEK AT SAMUEL MONTAGU...

Monday 18th June

Announced and underwrote £22 million rights issue for *Sketchley*.

Tuesday 19th June

Together with Düsseldorf office of *Trinkaus Montagu GmbH*, advised *British Steel* on the acquisition of *Klöckner-Werke's* sectional steel division at *Troisdorf* in West Germany for DM300 million.

Wednesday 20th June

Completed the £23 million acquisition by *Lloyds Chemists* of the *Cross Herbert* chain of chemist stores, largely financed by successful £13 million share offer.

Thursday 21st June

Following appointment as adviser to *Tarmac Properties Limited*, underwrote £12 million facility to assist funding part of 142 acre former *BREL* site at *Swindon*.

Together with the Corporate Finance team at *Midland Bank S.A. Paris*, advised *Pinault S.A.* on the sale of *Chapelle-Darblay* to *Kymmene Oy* for FFfr 1.32 billion.

Friday 22nd June

Completed loan financing for the acquisition of *Hotel des Indes* in The Hague by *Intercontinental Hotels*.

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## Stratagem to relaunch Colonnade

By Clara Pearson

STRATAGEM, the investment company which won a tough battle with British & Commonwealth over the takeover of Colonnade Development Capital earlier this year, plans to relaunch the company, previously involved in UK minority capital, as a vehicle for investments in Turkey.

Argosy Asset Management is to manage The Turkey Trust and Mr Asil Nadir, chairman of Polly Peck International, is to become one of its directors. Imparbank of Istanbul will be the local investment adviser.

There are proposals for a placing of 4.78m shares, to raise about £9.8m for the investment trust, approximately doubling its size. In addition, there is to be a free issue of warrants on a one-for-five basis.

Stratagem, which owns 98.8 per cent of the shares, is irrevocably committed to accepting the offer but minority shareholders are being offered an opportunity to sell their shares.

Stratagem, which in January launched a hostile £5.34m cash bid for Colonnade, successfully opposed plans for its self-regulation in March. The Turkey Trust is intended to achieve long term capital growth through investment both in quoted equities traded on the Istanbul stock exchange and unquoted companies expected to obtain quotations there.

### Trimoco

Mr Roger Smith, chairman of Trimoco, told the AGM that the company was trading profitably in all regions. He added that the first two months of the current year indicated results ahead of budget.

Since 1st March 1990, the provisions of the notes, notice is hereby given that for the interest period June 28, 1990 to September 28, 1990 the notes will carry an interest rate of 8.25% per annum.

Interest payable on the relevant interest payment date September 28, 1990 will amount to £2,140.28, per £100,000 notes.

Agent Bank  
Surgut  
Leningrad

## Anglo improves to £10.88m

By Nikki Tait

ANGLO GROUP, controlled by Sir James Goldsmith and companies within Lord Rothschild's stable, yesterday reported pre-tax profits of £10.88m for the year to end-March, compared with £8.27m.

The figures, however, are somewhat academic: Anglo announced last week that it was selling its only operating asset, a leasing business, for £130m.

The move, which caused the

share to be suspended, leaves Anglo with only one significant asset: a holding in Sunningdale, a private company which in turn holds 29.9 per cent of Banks Hovis McDougal.

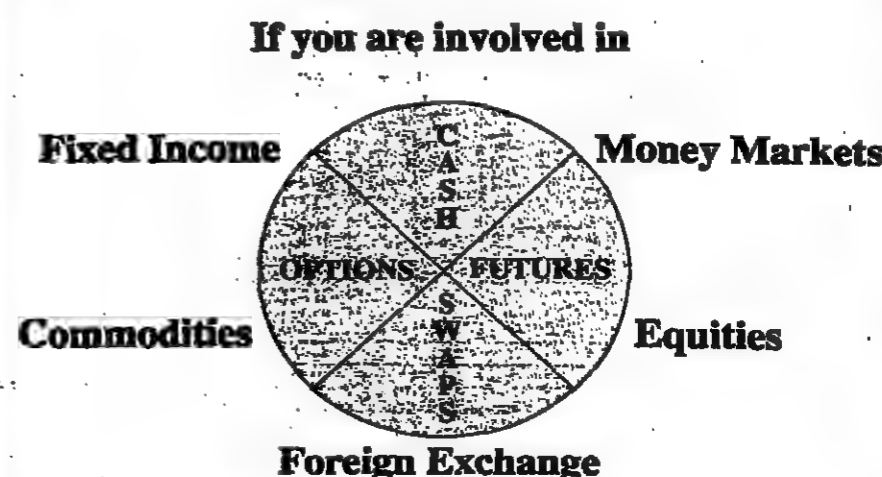
The company said yesterday that Anglo Leasing had enjoyed "an excellent year" in which new business had risen by 47 per cent to £207.2m.

Gross earnings under finance agreements totalled

£47.66m (£32.13m), with administration expenses increasing from £10.11m to £12.89m.

Other income amounted to £331,000 (£877,000), while net income from investment activities totalled £832,000 (£nil). Interest payable reached £24.96m, against £14.42m in the previous year.

Basic earnings per share increased from 25.1p to 31.3p. The fully-diluted figure was 28.5p.



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## UK COMPANY NEWS

## Airtours interim loss rises to £8m

By Jane Fuller

**AIRTOURS**, the Lancashire-based holiday company, reported a pre-tax loss of £7.5m in the six months to March 31, more than double the £2.5m deficit for the corresponding period of last year.

Apart from one-off problems in its long-haul activities, the company was operating in a market which saw holiday bookings down by 40 per cent in November and December, while the number of skiing holidays taken fell by 30 per cent.

The profit slump came on increased turnover of £40.4m (£34.7m). The company carried 170,000 (£130,000) people.

Mr Harry Coe, finance director, said the increased volume of holidays last summer meant there were more "empty legs" as aircraft were sent out to collect end-of-season customers.

Delayed holiday bookings meant the company lost out on deposits and insurance income.

These two factors plus start-up costs for the direct selling of continental camping holidays (Eurosites) and the UK Cottage Directory knocked about £2m off profits.

A further £2m disappeared on the long-haul side through excess capacity on some routes to £2.1m, but this was more than offset by an increase of 29 per cent to £70.9m (£56m) in overseas turnover.

The transfer to deferred profit arising from buoyant

winter sunseekers, although the market was 11 per cent down. Airtours had seen a 30 per cent increase through the success of destinations such as the Canary Islands.

For this summer, package holiday booking had picked up from February to April, but had then slackened again. He said numbers were 9 per cent down for the company compared with a fall of up to 20 per cent for the sector. However, the outlook was better for profit margins because of a truce in the price-cutting war between Thomson and ILG.

Mr Coe said the group had about £10m in the bank. The loss per share swelled to 32.3p (16.04p) but the interim dividend is unchanged at 1.5p.

The closing price of 152p, down 4p, compares with 180p when the company was floated in March 1987.

**COMMENT**  
Airtours, with its bias towards the less financially battered northern consumer and lack of debt, can to some extent limit the damage inflicted by a depressed market. But as the largest operator without its own aircraft, it has proved accident-prone in terms of incurring sudden large expenses. Last year there was the "flying pig" (a broken-down jumbo), this time an aircraft supplier went bust. Its solution involves hiring aircraft from its rivals. In its favour, sound management has helped it to protect its margins.

A profit forecast of £5m for the full year, compared with £3.2m, gives a prospective p/e of 7.6. As it has a lot of ground to make up, there is some risk. Medium term, the prospects are much brighter.

## Strong overseas trading helps Courts to £11.5m

**THE PROBLEMS** of the UK economy and its effect on high street trading were reflected by yesterday's annual results from Courts (Furnishings).

For the year to March 31, profits before transfer to deferred profit and tax rose slightly from £11.01m to £11.48m on turnover up from £148.4m to £154m.

UK turnover fell by 9 per cent to £83.1m, but this was more than offset by an increase of 29 per cent to £70.9m (£56m) in overseas turnover.

The transfer to deferred profit arising from buoyant

overseas trading jumped from £780,000 to £1.53m - leaving pre-tax profit at £7.95m against £10.23m. Mr Paul Cohen, chairman, said the reserve totalled £20.5m, which would automatically flow into profits in future years.

Earnings emerged at 20.9p (24.7p). The dividend is maintained at 5p with a proposed same-again final of 5.1p.

An extraordinary item of £1.34m related to errors in prior years which were discovered when the computer stock system became fully operational this year and new controls were implemented.

## Hicking falls into red and plans £2.5m diversification

**A SUBSTANTIAL** exceptional debit contributed heavily to the plunge into losses at Hicking Partners in the year to March 31.

The company, involved in the manufacture of knitted underwear and dyeing and finishing of such products, sustained taxable losses of £1.69m, against profits of £723,000 last time.

While unravelling the downturn, Hicking also announced the proposed acquisition of Forgemasters (Holdings), a South Wales-based steel forger and processor, for up to £2.49m in shares.

Mr John Lister, chairman, said that this move away from Hicking's core business stemmed from the board's conclusion that the group was vulnerable through its exclusive dependence on textiles and that diversification would dilute this.

With Forgemasters comes an 8.9 acre property, which has scope for further development. The property generates rental

income of about £250,000 a year and has been valued at £2.4m. Forgemasters made pre-tax profits of £128,000 in the year to March 31 when net assets were £442,000.

As Hicking will assume debts of £1.3m with the acquisition, it has proposed to raise £1m, before expenses, via an open offer.

In the period under review, Hicking saw turnover decline to £18.55m (£19.18m) with operating profits tumbling to £144,000 (£1.1m).

Exceptional losses totalled £1.25m and related mainly to reorganisation, redundancies and stock write-downs in the knitwear division and losses in connection with Realintex, its casual wear designer and marketer now sold to its management.

Losses per share amounted to 27.09p (earnings of 10.66p) but, in spite of the poor trading results, the directors are proposing to maintain the final dividend at 1.5p for an unchanged 2p total.

## Interest charges restrict Wyndham

**Wyndham Group**, the Cardiff-based property investment, motor distribution and financial services group, reported a slight increase from £3.21m to £3.41m in pre-tax profits for the year to March 31, although turnover climbed from £34.15m to £50.4m.

Net interest payments soared from £2.73m to £8.23m

last year, operating profit rose to £9.32m (£5.75m). Tax totalled £256,000 (£55,000), leaving earnings of 45.2p, before an extraordinary item of £213,000 relating to the sale of Wyndham Engineering, an 88.5p after.

A final dividend of 4p is proposed to make a total of 6p, an increase of 33 per cent.

## Hogg Robinson recovers to £10.4m

By Jane Fuller

**HOGG ROBINSON**, the travel, transport and financial services group, staged a recovery in the year to end-March, in spite of a loss on its leisure travel activities.

Taxable profits more than doubled to £10.41m (£5.01m), almost back to the levels of the £11m made in 1987-88. In the year under review, turnover contracted to £87.21m (£91.71m).

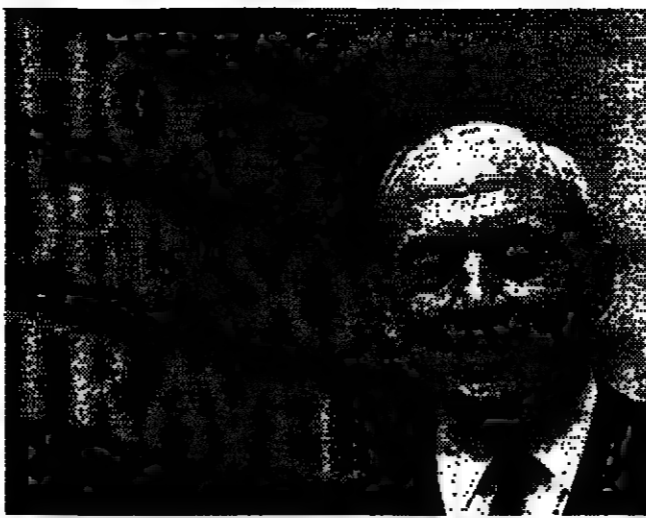
An important factor was the sale of its property services division to Sun Alliance. Some 60 per cent went at the end of the previous financial year, in which property recorded a £2.2m loss. Although the remaining 40 per cent was not sold until early this year, a loss protection arrangement kept its deficit out of Hogg's accounts.

With more than £60m in the bank (about half being advance payments), interest received jumped to £3.53m (£1.67m).

The travel division saw profit fall from £3.92m to £2.3m on sales of £55.79m (£49.52m).

Mr Brian Perry, chairman, said business travel continued to grow, but the leisure side had lost the best part of £1m.

This year would continue to be difficult because of a 15 per cent contraction in the



Brian Perry: Important factor was the sale of the property services division to Sun Alliance.

package holiday market. Hogg had, however, only experienced a 4 per cent decline.

The slight improvement in market share (Hogg was fourth behind Lunn Poly, Thomas Cook and Pickfords) had been achieved with only minimal price discounting.

Transport, which involves carrying freight between the UK and other countries rather than purely domestic business, overtook travel as the biggest profit earner with £3.48m (£2.96m). This included a five-month contri-

bution from Weys Inter-Europe, a Dutch haulier which was added to an established trailer subsidiary.

The Government Freight Agency, which transports people and goods for the military, also had a good year.

Financial services, which saw profit fall to £1.41m in the previous year, recovered to £2.4m. This was due mainly to a new computer system for sorting out employee pensions and to growth in personal lines - household and car insurance.

Earnings per share rose to 9.07p (4.28p). A final dividend of 3.3p makes a total of 5.3p (4.7p).

The share price gained 5p to close at 125p.

## COMMENT

A measure of Hogg's improvement is that the seasonally quieter second half added £3.8m this time, whereas £4.5m was knocked off in 1988-89. It did well to sew up the property division sale more than a year ago.

The group is now cash rich: the £32m it had available at the year end compares with a market value of just over £66m; no wonder Sir Ron Brierley's IFP Securities has built up a 16 per cent stake. Some of the cash is earmarked for acquisitions: 19 more travel agents have already been bought. The Weys haulier opens the way to eastern Europe and Hogg's transport ambitions also extend to other parts. The group obviously remains vulnerable to UK consumers' constricted demand for foreign holidays and leisure travel is only expected to break even this year. A pre-tax profit of £12m gives a prospective p/e of nearly 12 - not cheap, but next year there is considerable scope for recovery in leisure travel.

## Wolseley expands with £26m purchase

By Clare Pearson

**WOLSELEY**, the distributor of building materials and plumbing and heating equipment, has scooped up Needwood Holdings, the builders' merchant which went into receivership a month ago, at a price of about £26.4m.

Net assets of Needwood, the first large builders' merchant to fail since the downturn in the housing market began in August 1988, stood at about £37.7m.

Unaudited management accounts for the year to end-

March showed sales of about £72m, up from £43.3m in the previous 12 months.

The purchase takes Wolseley's UK heavy building materials business out of its traditional south-east base, providing the company with 35 further branches in the Midlands, northern England, the West Country and Wales.

Wolseley, which has substantial operations in the US as well as the UK, achieved pre-tax profits of £54.2m (£53.65m) in the year to end-January.

## Lilley prevents Tilbury from diluting its holding

By John Thornhill

**LILLEY**, the construction company which last year narrowly failed to win control of Tilbury Group after a £137m takeover bid, has prevented its rival from diluting its 29.9 per cent holding in the company through issuing more shares.

At its AGM yesterday, Tilbury withdrew a standard resolution allowing it to allot further shares of up to 5 per cent of the issued share capital and disapply pre-emption rights after Lilley had made it clear that it intended to vote down

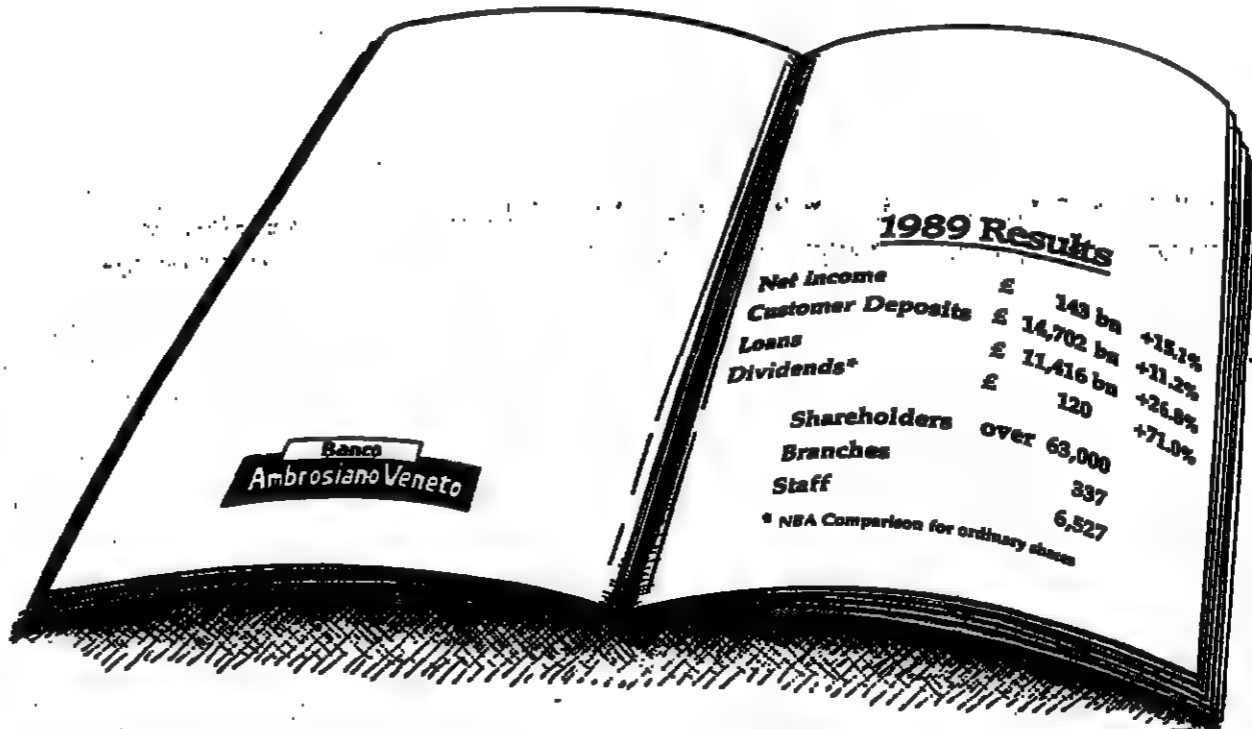
any such move. Lilley said it had opposed this resolution in order to protect the value of its investment.

In his speech to the AGM, Mr Michael Walters, Tilbury's chairman, noted that there had been public criticism of the high level of executive pay.

Last year, Mr Michael Bottjer, chief executive, received £502,000 in total remuneration. One other director was paid more than £700,000 and another over £440,000.

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## PUBLIC WORKS LOAN BOARD RATES

Effective June 27.		Short-term loans 12 month		Long-term loans 12 month	
Term	Rate	Rate	Rate	Rate	Rate
Over 1 up to 2	13 1/2	13 1/2	13	14 1/2	14 1/2
Over 2 up to 3	13 1/2	13 1/2	12 1/2	14 1/2	14 1/2
Over 3 up to 4	12 1/2	12 1/2	12 1/2	13 1/2	12 1/2
Over 4 up to 5	12 1/2	12 1/2	12 1/2	13	12 1/2
Over 5 up to 6	12 1/2	12 1/2	12	12 1/2	12 1/2
Over 6 up to 7	12 1/2	12 1/2	11 1/2	12 1/2	12 1/2
Over 7 up to 8	12 1/2	12	11 1/2	12 1/2	12 1/2
Over 8 up to 9	12 1/2	12	11 1/2	12 1/2	12 1/2
Over 9 up to 10	12 1/2	12	11 1/2	12 1/2	12 1/2
Over 10 up to 15	12	11 1/2	11 1/2	12 1/2	12 1/2
Over 15 up to 25	11 1/2	11 1/2	11 1/2	11 1/2	11 1/2
Over 25	11	11 1/2	10 1/2	11 1/2	11 1/2

\* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly instalments (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

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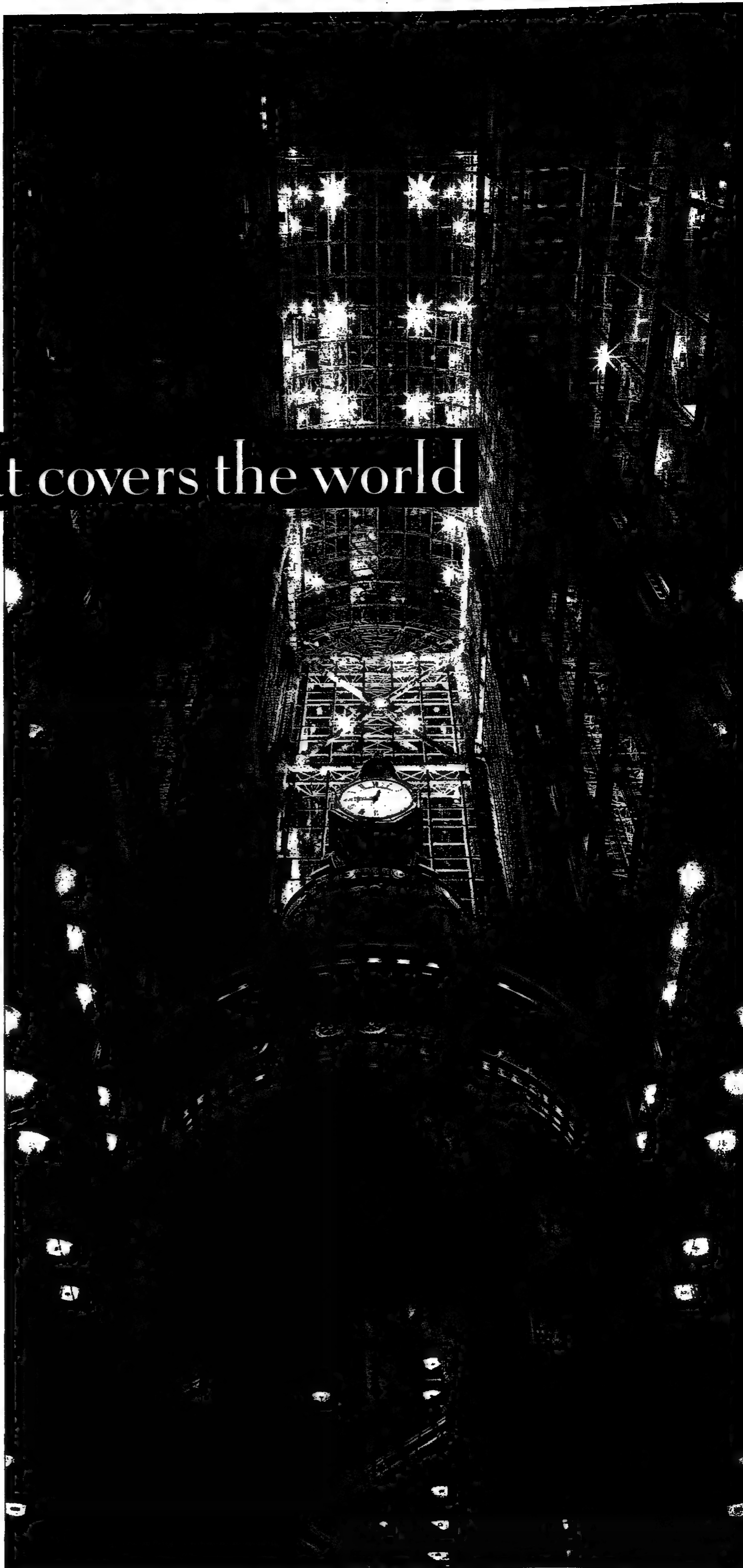


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John Smith



# Rare owl preys on minds of American foresters

n 27	Jun 26	month ago	yr ago
157.3	1639.0	1912.7	2025.5

(Base: Dec. 31 1974 = 100)

n 28	Jun 25	month ago	yr ago
	131.71	135.55	
	131.29	132.63	

Jul  
Aug  
Feb  
Mar  
May

[illegible]

1. *Chlorophyll a* and *Chlorophyll b* were determined by the method of Arar and Collins (1971) using a Shimadzu 1601 UV-Visible Spectrophotometer. The concentration of chlorophyll was expressed in mg/L.

[illegible]

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1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	9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**MINES – Contd**

1990	High	Low	Stock	Price	+/-	Dr Met	Cr G
Miscellaneous							
190	130		Amplesy Mining Co.	130	.....		
118	50		Arco	50	.....		
17	11 1/4		Anglo-Dominion	11 1/4	.....		
651	272		Bons Int. Gold	272-17	.....		
122	15		Burnie Mining Ltd.	15	.....		
44	15 1/4		Can. Res. Corp.	15 1/4	.....		
377	35		Cons. March Ltd.	40-42	.....	630	3.51
26	40		DRX Inc.	7	.....		
241	11 1/2		Emcor Int. Trado	12	.....		

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1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386
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## AUTHORISED UNIT TRUSTS

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## CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

## Dollar steady at lower levels

THE US DOLLAR opened lower yesterday in response to hints by President George Bush that taxes may be raised in order to cut the budget deficit. Thereafter, it spent the rest of the day trading steadily in a narrow range.

Mr Bush's comments increased speculation that interest rates could be cut if the deficit was indeed eventually reduced by tax increases. But after the initial wave of selling, the dollar stabilised as the market began to assess Mr Bush's words.

Analysts welcomed Mr Bush's remarks but said any changes would not come until later in the year. "There are no concrete proposals yet to raise taxes," said Mr Bill Simpson, money market economist at Barclays Bank.

The uncertainty surrounding Mr Bush's comments made traders reluctant to mark the dollar lower once the immediate wave of selling dried up. Furthermore, the approach of June non-farm payroll figures on July 6 and the policy-setting Federal Open Market Committee meeting next week was another reason for caution.

Despite growing indications that the American economy is slowing and that inflation is stable, many analysts said the Fed will be reluctant to loosen

monetary policy just yet. Instead, it will wait for clearer signs that the budget deficit is to be cut. The uncertainty surrounding the immediate after-effects of Germany's monetary union, which begins on Sunday, may also strengthen the hand of those Fed governors favouring no change in policy. The dollar closed lower at DM1.6840 from DM1.6715; at ¥154.40 from ¥155.15; and at FF5.5800 from FF5.6075; but it firmed to SF1.4075 from SF1.4050. The dollar's exchange rate index, calculated by the Bank of England, fell 0.3 point to 67.1.

The other major currencies were little changed in quiet trading. Sterling began weakly after Mrs Margaret Thatcher, the UK Prime Minister, expressed doubts at the Dublin European Community summit about proposals for a single European currency and central bank. However, the UK's high

interest rates prevented it from falling far. In addition, sterling's entry into the exchange rate mechanism of the European Monetary System has not been questioned by Mrs Thatcher. Many analysts said they expected sterling to trade around DM2.80 until the next batch of economic data in the middle of July.

Sterling closed unchanged at DM2.8000; and rose to ¥1.7425 from ¥1.7355; and to FF9.7400 from FF9.7325; but it fell to SF2.4400; but it fell to ¥289.00 from ¥288.25. Sterling's exchange rate index fell 0.2 point to 91.3.

The D-Mark was firmer on short-covering before German monetary union and after Mr Hans Tietmeyer, a Bundesbank board member, said in a US magazine that high money market rates were appropriate to keep inflation under control. The D-Mark was firmer at ¥292.50 from ¥292.85.

## FINANCIAL FUTURES AND OPTIONS

## LIVE US TREASURY FUTURE OPTIONS

Strike	Call	Put	Call	Put
80	3.20	4.37	4.42	1.13
81	2.30	3.99	4.04	1.26
82	1.40	3.61	3.61	1.39
83	0.50	3.23	3.23	1.52
84	0.10	2.85	2.85	1.65
85	0.00	2.47	2.47	1.78
86	0.00	2.09	2.09	1.91
87	0.00	1.71	1.71	2.04
88	0.00	1.33	1.33	2.17
89	0.00	0.95	0.95	2.30

Estimated volume total, Call 945 Put 1559  
Previous day's open bid, Call 1007 Put 1136

## LIVE EURO DOLLAR FUTURE OPTIONS

Strike	Call	Put	Call	Put
100	0.10	0.10	0.10	0.10
101	0.20	0.20	0.20	0.20
102	0.30	0.30	0.30	0.30
103	0.40	0.40	0.40	0.40
104	0.50	0.50	0.50	0.50
105	0.60	0.60	0.60	0.60
106	0.70	0.70	0.70	0.70
107	0.80	0.80	0.80	0.80
108	0.90	0.90	0.90	0.90
109	1.00	1.00	1.00	1.00

Estimated volume total, Call 255 Put 980  
Previous day's open bid, Call 245 Put 945

## LIVE EURO DOLLAR FUTURE OPTIONS

Strike	Call	Put	Call	Put
100	0.10	0.10	0.10	0.10
101	0.20	0.20	0.20	0.20
102	0.30	0.30	0.30	0.30
103	0.40	0.40	0.40	0.40
104	0.50	0.50	0.50	0.50
105	0.60	0.60	0.60	0.60
106	0.70	0.70	0.70	0.70
107	0.80	0.80	0.80	0.80
108	0.90	0.90	0.90	0.90
109	1.00	1.00	1.00	1.00

Estimated volume total, Call 255 Put 980  
Previous day's open bid, Call 245 Put 945

## LIVE EURO DOLLAR FUTURE OPTIONS

Strike	Call	Put	Call	Put
100	0.10	0.10	0.10	0.10
101	0.20	0.20	0.20	0.20
102	0.30	0.30	0.30	0.30
103	0.40	0.40	0.40	0.40
104	0.50	0.50	0.50	0.50
105	0.60	0.60	0.60	0.60
106	0.70	0.70	0.70	0.70
107	0.80	0.80	0.80	0.80
108	0.90	0.90	0.90	0.90
109	1.00	1.00	1.00	1.00

Estimated volume total, Call 255 Put 980  
Previous day's open bid, Call 245 Put 945

## LIVE EURO DOLLAR FUTURE OPTIONS

Strike	Call	Put	Call	Put
100	0.10	0.10	0.10	0.10
101	0.20	0.20	0.20	0.20
102	0.30	0.30	0.30	0.30
103	0.40	0.40	0.40	0.40
104	0.50	0.50	0.50	0.50
105	0.60	0.60	0.60	0.60
106	0.70	0.70	0.70	0.70
107	0.80	0.80	0.80	0.80
108	0.90	0.90	0.90	0.90
109	1.00	1.00	1.00	1.00

Estimated volume total, Call 255 Put 980  
Previous day's open bid, Call 245 Put 945

## LIVE EURO DOLLAR FUTURE OPTIONS

Strike	Call	Put	Call	Put
100	0.10	0.10	0.10	0.10
101	0.20	0.20	0.20	0.20
102	0.30	0.30	0.30	0.30
103	0.40	0.40	0.40	0.40
104	0.50	0.50	0.50	0.50
105	0.60	0.60	0.60	0.60
106	0.70	0.70	0.70	0.70
107	0.80	0.80	0.80	0.80
108	0.90	0.90	0.90	0.90
109	1.00	1.00	1.00	1.00

Estimated volume total, Call 255 Put 980  
Previous day's open bid, Call 245 Put 945

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Strike	Call	Put	Call	Put
100	0.10	0.10	0.10	0.10
101	0.20	0.20	0.20	0.20
102	0.30	0.30	0.30	0.30
103	0.40	0.40	0.40	0.40
104	0.50	0.50	0.50	0.50
105	0.60	0.60	0.60	0.60
106	0.70	0.70	0.70	0.70
107	0.80	0.80	0.80	0.80
108	0.90	0.90	0.90	0.90
109	1.00	1.00	1.00	1.00

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Strike	Call	Put	Call	Put
100	0.10	0.10	0.10	0.10
101	0.20	0.20	0.20	0.20
102	0.30	0.30	0.30	0.30
103	0.40	0.40	0.40	0.40
104	0.50	0.50	0.50	0.50
105	0.60	0.60	0.60	0.60
106	0.70	0.70	0.70	0.70
107	0.80	0.80	0.80	0.80
108	0.90	0.90	0.90	0.90
109	1.00	1.00	1.00	1.00

Estimated volume total, Call 255 Put 980  
Previous day's open bid, Call 245 Put 945

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100	0.10	0.10	0.10	0.10
101	0.20	0.20	0.20	0.20
102	0.30	0.30	0.30	0.30
103	0.40	0.40	0.40	0.40
104	0.50	0.50	0.50	0.50
105	0.60	0.60	0.60	0.60
106	0.70	0.70	0.70	0.70
107	0.80	0.80	0.80	0.80
108	0.90	0.90	0.90	0.90
109	1.00	1.00	1.00	1.00

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Previous day's open bid, Call 245 Put 945

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Strike	Call	Put	Call	Put
100	0.10	0.10	0.10	0.10
101	0.20	0.20	0.20	0.20
102	0.30	0.30	0.30	0.30
103	0.40	0.40	0.40	0.40
104	0.50	0.50	0.50	0.50
105	0.60	0.60	0.60	0.60
106	0.70	0.70	0.70	0.70
107	0.80	0.80	0.80	0.80
108	0.90	0.90	0.90	0.90
109	1.00	1.00	1.00	1.00

Estimated volume total, Call 255 Put 980  
Previous day's open bid, Call 245 Put 945

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Strike	Call	Put	Call	Put
100	0.10	0.10	0.10	0.10
101	0.20	0.20	0.20	0.20
102	0.30	0.30	0.30	0.30
103	0.40	0.40	0.40	0.40
104	0.50	0.50	0.50	0.50
105	0.60	0.60	0.60	0.60
106	0.70	0.70	0.70	0.70
107	0.80	0.80	0.80	0.80
108	0.90	0.90	0.90	0.90
109	1.00	1.00	1.00	1.00

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Strike	Call	Put	Call	Put
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101	0.20	0.20	0.20	0.20
102	0.30	0.30	0.30	0.30
103	0.40	0.40	0.40	0.40
104	0.50	0.50	0.50	0.50
105	0.60	0.60	0.60	0.60
106	0.70	0.70	0.70	0.70
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101	0.20	0.20	0.20	0.20
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Previous day's open bid, Call 245 Put 945

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Strike	Call	Put	Call	Put
100	0.10	0.10	0.10	0.10
101	0.20	0.20	0.20	0.20
102	0.30	0.30	0.30	0.30
103	0.40	0.40	0.40	0.40
104	0.50	0.50	0.50	0.50
105	0.60	0.60	0.60	0.60
106	0.70	0.70	0.70	0.70
107	0.80	0.80	0.80	0.80
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109	1.00	1.00	1.00	1.00

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Previous day's open bid, Call 245 Put 945

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Strike	Call	Put	Call	Put
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101	0.20	0.20	0.20	0.20
102	0.30	0.30	0.30	0.30
103	0.40	0.40	0.40	0.40
104	0.50	0.50	0.50	0.50
105	0.60	0.60	0.60	0.60
106	0.70	0.70	0.70	0.70
107	0.80	0.80	0.80	0.80
108	0.90	0.90	0.90	0.90
109	1.00	1.00	1.00	1.00

Estimated volume total, Call 255 Put 980  
Previous day's open bid, Call 245 Put 945

## LIVE US TREASURY FUTURE OPTIONS

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85	0.00	2.47	2.47	1.78
86	0.00	2.09	2.09	1.91
87	0.00	1.71	1.71	2.04
88	0.00	1.33	1.33	2.17
89	0.00	0.95	0.95	2.30

Estimated volume total, Call 945 Put 1559  
Previous day's open bid, Call 1007 Put 1136

## LIVE EURO DOLLAR FUTURE OPTIONS

Strike		Call-settlements		Put-settlements	
Price	Sep	Dec	Dec	Sep	Dec
9075	0.98	0.96		0	0.04
9100	0.74	0.75		0.01	0.08
9125	0.51	0.55		0.03	0.13
9150	0.31	0.38		0.08	0.21
9175	0.16	0.24		0.18	0.32
9200	0.07	0.14		0.34	0.47
9225	0.02	0.07		0.54	0.65
9250	0	0.03		0.77	0.86



## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on Page 30

**NASDAQ NATIONAL MARKET**[illegible][illegible]

FINANCIAL TIMES

